

TRAFCO GROUP B.S.C.

**REPORT OF THE BOARD OF DIRECTORS,
INDEPENDENT AUDITOR'S REPORT AND
CONSOLIDATED FINANCIAL STATEMENTS**

31 DECEMBER 2023

Report of the Board of Directors for 2023

In the name of Allah, Most Gracious, Most Merciful.

The past year witnessed a significant decline in the prices of most of the food commodities, especially in the first half of the year, as a result of the regress in the intensity of the Russian-Ukrainian war, the resumption of ship movements in the Black Sea, and the availability of pulses and plant seeds. According to the FAO report for 2023, the average food price index dropped by about 10% compared to the previous year between December 2022 and December 2023, and we have already noticed the availability of items that the group deals with such as frozen chicken, red meat, dairy products, and vegetable oils at more appropriate prices during the first half, and sugar prices fell sharply in November.

Although the prices stabilized for a while, it began to move in the opposite direction during the last quarter, especially after the start of the war in the Middle East in October and the repercussions of this war on ship movements in the Red Sea, forcing shipping companies to divert their line through Cape of Good Hope, which resulted in significant increases in the cost of transportation and insurance, in addition to delays in the arrival of shipments beside the congestion of containers at transit points. Since December, the prices of most food commodities tended to gradually rise, which will inevitably affect the cost of the food basket in the GCC countries in the coming months. The market, in general, is impacted by high interest rates continuing to remain at their high level as well as the shortage of financial liquidity.

Despite the various challenges and intense competition, Trafco Group was able to maintain its market share and achieve better percentages compared to the previous year. The group's total revenue for the year ending 31 December 2023 amounted to more than BD 46.1 million, an increase of 8.3% compared to the previous year revenue, which was BD 42.6 million. The total net profit for the financial year attributable to the Trafco's shareholders was BD 1.75 million, compared to BD 1.54 million for the previous year, an increase of 14.1%, and shareholders' equity



increased by 6.6% from BD 28.3 million to BD 30.2 million this year. The group's total comprehensive profit increased from BD 1.87 million to BD 2.99 million, an increase of about 60% as a result of the improvement in the valuation of the company's investments. In compliance with International Financial Reporting Standards followed by the company, the realized profit from sale of portfolio of shares owned by the group attributable to Trafco group shareholders amounted to BD 109k were not included in the profit or loss account but were added directly to the total shareholders' equity.

Awal Dairy Company W.L.L.

The year 2023 was a good financial year for the sister company, as sales jumped by about 17% from BD 18.26 million to BD 21.3 million, and the company was able to consolidate its presence and increase its share in the local market.

In addition to sales improving through its branches in both the State of Kuwait and the Eastern Province in the Kingdom of Saudi Arabia and exporting to other countries in the region contributed to the increase demand for its products and realizing better acceptance of its brands. This reporting year witnessed the appointment of a new CEO for the company in March, who joined the company with a long experience in the field of production and marketing of dairy products with international companies.

The company was able to launch new products during the year, including lactose-free milk, Fabion protein ice cream, evaporated milk for tea in Tetra pack, and others. It was also able to maintain retail prices for consumers as they were in the past, which contributed to a greater success for its products in the local market. Despite the limited space available for expansion in the current location, the company's management has drawn up a future plan for expansion and adding new production lines by allocating a budget of approximately two million Bahraini Dinars, this will be self-financed to purchase new equipment and machinery during the coming months, especially to meet the increase in demand for some products and maximize the production capacity.

Bahrain Livestock Company W.L.L.

After the acquisition of Bahrain Livestock Company which was completed last year and is now 100% owned by the group, the executive management took several steps to organize the operations and reassess the business in various sectors to provide basic commodities, especially red meat to market for the retail customers, government, and catering institutions. Still, normal work is ongoing at the company's slaughterhouse in Sitra, and the company continues to import live sheep from Somalia, in addition to importing chilled and frozen meat from Australia, Pakistan, Somalia, Kenya, Uruguay, and others. The company's total sales amounted to BD 4.8 million, and the company achieved net profits from its operations of BD 22k.

Trafco Logistics Company W.L.L.

The demand for storage, especially for frozen goods, is still ongoing and the storage capacity available in frozen areas has become limited, especially with the increase of import operations by the group's subsidiaries. Despite the intense competition in storage prices, the increase in the cost of services and electricity consumption, the company was able to achieve a net profit in the financial year of BD 126k, an increase of 7% over the previous year's profits, which was BD 117k. As indicated in the previous report, the company during the year and after completing the technical studies and obtaining the necessary approvals, awarded the construction contract tender of the new warehouses to a national company, and work has already begun at the same company site in Samaheej area in Muharraq. It is expected that the project site will be delivered to Trafco Group in middle of 2024, and the final cost, including equipment, will be in the range of three million Bahraini Dinars.



Bahrain Water Bottling and Beverages Company W.L.L.

During the year, the company restructured the management team where the former operations manager was asked to leave, and completely reassessed and adjusted the sales strategy. Export of bottled water abroad has started, and intensive marketing of water in large 5-gallon containers to residential complexes and institutions was implemented.

Competition among water bottling plants, which is more than 15 plants, is still intense and the prices are very low.

As a direct result of administrative changes and re-arrangement of marketing methods, the company was able to achieve a net profit of BD 41k, while incurred loss in the previous year of BD 37k, although the total sales increases marginally by 4.5% only from BD 1.66 m to BD 1.74 m this year.

The company plans to launch new bottles of drinking water in the coming summer months.

Bahrain Fresh Fruits Company W.L.L.

This company is still suffering from intense competition in the fruit and vegetable market and limited profit margin. Despite the expansion in importing other food commodities to improve performance, the company's results for this year were negative, with losses of BD 71k, compared to a little profit in the previous year of BD 1.3K. Total sales amounted to BD 2.1 million, a 3% decline from the previous year's sales, which amounted to BD 2.2 million. The group's executive management will introduce a new way of dealing in this sector and look into the company's restructuring to achieve profits in the coming year.

Related Matters to Corporate Governance and Social Responsibility.

The group complies with all the requirements of governance, and there are specialized committees from the Board of Directors and Executive Management that follow up on these matters periodically and take the necessary measures to implement any instructions or observations made by the supervisory or financial control authorities and the internal or external auditor. The attached financial report details the group's commitment to the requirements of governance and information about the members of the Board of Directors, Management and their activity and participation in the group's committees or companies. The Board of Directors would also like to inform shareholders that some of the members of the Board of Directors, in their personal capacity, have an interest or have stakes in companies that have been engaged, for a long time, in similar business to some or all the goods and activities of the Group and its subsidiaries. At the same time, the Board of Directors confirms that all transactions with all related parties, including members of the board of directors or companies in which they have an interest, are carried out in full transparency and on a purely commercial basis. The volume of transactions with related parties during the year is included in the financial statements for review.

In compliance with the requirements of the Commercial Companies Law and in implementation of the instructions of the supervisory authorities, the detailed table below shows the remuneration and attendance fees to each member of the Board of Directors received during the year and second table shows the total of salaries and bonuses disbursed to the top six Executives during the year 2023.

Board of directors' remuneration details

(Amount in BD)

Name	Fixed remunerations					Variable remunerations					End-of-service award	Aggregate amount	Expenses Allowance
	Remunerations of the chairman and BOD	Total allowance for attending Board & committee meetings	Salaries	Others *	Total	Remunerations of the chairman and BOD	Bonus	Incentive plans	Others	Total		(Does not include expense allowance)	
First: Independent Directors:													
	-	-	-	-	-	-	-	-	-	-	-	-	-
Second: Non-Executive Directors:													
Mr Ebrahim Mohamed Ali Zainal	-	5,400	-	19,200	24,600	11,700	-	-	-	11,700	-	36,300	-
Mr Yusuf Saleh Abdulla Alsaleh	-	5,400	-	-	5,400	14,625	-	-	-	14,625	-	20,025	-
Dr Esam Abdulla Yousif Fakhro	-	5,400	-	-	5,400	11,700	-	-	-	11,700	-	17,100	-
Mr Jehad Yusuf Abdulla Amin	-	5,400	-	-	5,400	11,700	-	-	-	11,700	-	17,100	-
Mr Ebrahim Salahuddin Ahmed Ebrahim	-	5,350	-	-	5,350	11,700	-	-	-	11,700	-	17,050	-
Mr Sami Mohammed Yusuf Jalal	-	2,900	-	-	2,900	11,700	-	-	-	11,700	-	14,600	-
Mr A Redha Mohamed Redha Aldailami	-	5,350	-	-	5,350	11,700	-	-	-	11,700	-	17,050	-
Mr Ali Yusuf A Rahman A Rahim	-	5,350	-	-	5,350	11,700	-	-	-	11,700	-	17,050	-
Mr Fuad Ebrahim Khalid Kanoo	-	2,400	-	-	2,400	11,700	-	-	-	11,700	-	14,100	-
Mr Sofyan Khalid Almoayed	-	4,850	-	-	4,850	11,700	-	-	-	11,700	-	16,550	-
Third: Executive Directors:													
	-	-	-	-	-	-	-	-	-	-	-	-	-
Total	-	47,800	-	19,200	67,000	119,925	-	-	-	119,925	-	186,925	-

* Others includes allowance paid for follow up and administrative services

Executive management remuneration details

(Amounts in BD)

Executive management	Total paid salaries and allowances	Total paid remuneration (Bonus)	Any other cash/ in kind remuneration for 2023	Aggregate Amount
Top 6 remunerations for executives, including CEO and Senior Financial Officer.	205,515	17,619	7,853	230,987

As part of its social responsibility, the group contributed to the campaign of National Afforestation Program (Forever Green) as part of the national initiative for the agricultural sector.

As like every year, the group contributed and participated in financial support for many charitable societies and social service institutions in the Kingdom of Bahrain. The group participated as well in the Royal Humanitarian Foundation's campaigns.



Net profit and recommendation on how to distribute it:

The net profit attributable to shareholders of Trafco Group for the financial year ended 31 December 2023 as per the Ernst & Young audited financials was BD 1,752,114.

The Board of Directors recommends the distribution of these profits as follows subject to the approval of the annual general meeting:

- | | |
|--|--------------|
| • General Reserve | BD 50,000 |
| • Cash dividends to shareholders at 17% | BD 1,261,223 |
| • Allocation to Donations & Charity (to be adjusted next year) | BD 60,000 |

The Directors' remuneration of BD 119,925 for the year 2023 (2022: BD 102,500) (subject to the approval of the annual general meeting) was already provided from the above net profit.

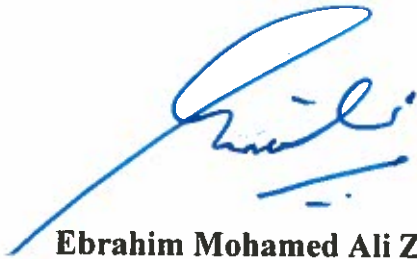
Further, it is worth noting, that the Group has achieved profits on the sale of investment of BD 109k which was not included in the statement of profit and loss but was included in shareholders' equity through other comprehensive income in compliance with IFRS requirements.

Acknowledgements

In conclusion, we extend our sincere thanks, appreciation and gratitude to all government authorities that cooperated with us to facilitate matters of manufacturing, import and storage in general, which enabled the group to provide its services in providing basic food commodities to citizens and residents in the Kingdom of Bahrain. We also thank and appreciate the cooperation of all customers dealing with the group companies and their commitment to distribution and marketing agreements, which facilitated the access of our products to all segments of society and in different regions of the Kingdom of Bahrain.

We also appreciate with gratitude the efforts of all members of the executive management and employees of the group companies for their dedication to work and their keenness to provide the best services to all our customers.

And say (O Muhammad saw) "Do Deeds, Allah Will See Your Deeds And (so will) His Messenger and The Believers" : Al Tawba, The Holy Qur'an.



Ebrahim Mohamed Ali Zainal
Chairman



Yusuf Saleh Abdulla AlSaleh
Vice Chairman

Kingdom of Bahrain
26 February 2024

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF TRAFKO GROUP B.S.C.

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Trafco Group B.S.C. ("the Company") and its subsidiaries (together "the Group"), which comprise the consolidated statement of financial position as at 31 December 2023, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of cash flows and consolidated statement of changes in equity for the year then ended, and notes to the consolidated financial statements, including material accounting policy information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2023 and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (including International Independence Standards)* (IESBA Code) together with the ethical requirements that are relevant to our audit of the consolidated financial statements in the Kingdom of Bahrain, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements for the year ended 31 December 2023. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

**INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF
TRAFICO GROUP B.S.C. (continued)**

Report on the Audit of the Consolidated Financial Statements (continued)

Key audit matter (continued)

Valuation of unquoted equity investments	
Refer to notes 3 and 11 to the consolidated financial statements.	
Key audit matter	How our audit addressed the key audit matter
<p>The Group holds unquoted equity investments of BD 6,470,827 as at 31 December 2023, which accounts for 11% of the Group's total assets. These investments are measured at fair values determined based on unobservable inputs using market multiples or other appropriate valuation methodologies.</p> <p>Due to the illiquid nature of these investments, the determination of fair value is subjective and involves use of estimates, assumptions and judgements. The exit value of unquoted equity investments will be determined by the market at the time of realisation and therefore despite the valuation policy and judgments applied by management, the final exit value may materially differ from the fair value determined at the reporting date.</p> <p>Given the inherent subjectivity surrounding the valuation of unquoted equity investments, we determined this to be a key audit matter for our audit.</p>	<p>Our audit procedures in this area included, among others:</p> <ul style="list-style-type: none"> (i) We evaluated the independent external valuation expert's competence, experience, capabilities and objectivity by inspecting the terms of their engagement letter and evaluating the valuation report; (ii) We assessed the appropriateness of the valuation methodologies used by the independent external valuation expert; (iii) We corroborated the key inputs used in the valuation with independently available information; (iv) We evaluated the appropriateness of illiquidity and other discounts applied on the valuation. (v) We tested the arithmetical accuracy of the calculation used in the valuation; and (vi) We evaluated the adequacy of disclosures in the consolidated financial statements.

Other information included in the Group's 2023 annual report

Other information consists of the information included in the Group's 2023 Annual Report, other than the consolidated financial statements and our auditor's report thereon. The Board of Directors is responsible for the other information. Prior to the date of this auditors' report, we obtained the Report of the Board of Directors which form part of the annual report, and the remaining sections of the annual report are expected to be made available to us after that date.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF TRAFICO GROUP B.S.C. (continued)

Report on the Audit of Consolidated Financial Statements (continued)

Other information included in the Group's 2023 annual report (continued)

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed on the other information obtained prior to the date of the auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Board of Directors for the consolidated financial statements

The Board of Directors is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRSs, and for such internal control as the Board of Directors determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Board of Directors is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The Board of Directors is responsible for overseeing the Group's financial reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF TRAFICO GROUP B.S.C. (continued)

Report on the Audit of the Consolidated Financial Statements (continued)

Auditor's responsibilities for the audit of the consolidated financial statements (continued)

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Company's Board of Directors.
- Conclude on the appropriateness of the Board of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the Board of Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Board of Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the Board of Directors, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.


**INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF
TRAFICO GROUP B.S.C. (continued)**

Report on Other Legal and Regulatory Requirements

We report that:

- a) as required by the Bahrain Commercial Companies Law:
 - i) the Company has maintained proper accounting records and the consolidated financial statements are in agreement therewith;
 - ii) the financial information contained in the Report of the Board of Directors is consistent with the consolidated financial statements; and
 - iii) satisfactory explanations and information have been provided to us by management in response to all our requests.
- b) we are not aware of any violations of the Bahrain Commercial Companies Law, the Central Bank of Bahrain (CBB) Rule Book (applicable provisions of Volume 6) and CBB directives, regulations and associated resolutions, rules and procedures of the Bahrain Bourse or the terms of the Company's memorandum and articles of association during the year ended 31 December 2023 that might have had a material adverse effect on the business of the Group or on its consolidated financial position.
- c) As required by Article 8 of section 2 of Chapter 1 of the Bahrain Corporate Governance Code, we report that the Company:
 - i) has appointed a Corporate Governance Officer; and
 - ii) has a board approved written guidance and procedures for corporate governance.

The Partner in charge of the audit resulting in this independent auditor's report is Kazim Merchant.



Partner's Registration No. 244
26 February 2024
Manama, Kingdom of Bahrain

Trafco Group B.S.C.

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER
COMPREHENSIVE INCOME**

For the year ended 31 December 2023

	Notes	2023 BD	2022 BD
Revenue from contracts with customers	5	46,101,412	42,572,842
Costs of revenue		(37,117,843)	(34,300,474)
GROSS PROFIT		8,983,569	8,272,368
Other operating income		160,537	101,422
Personnel costs	6	(4,343,590)	(3,912,834)
General and administrative expenses		(1,149,260)	(1,055,646)
Selling and distribution expenses		(1,206,992)	(1,093,262)
Depreciation on property, plant and equipment	9	(404,161)	(449,350)
Depreciation on right-of-use assets	10	(211,090)	(212,435)
PROFIT FROM OPERATIONS		1,829,013	1,650,263
Investment income	7	1,294,024	763,612
Other income	30	-	231,672
Other finance costs	6	(418,014)	(258,642)
Finance costs on lease liabilities	18	(191,968)	(200,858)
Share of results of an associate	30	-	(138,319)
Foreign exchange gains - net		65,310	49,577
PROFIT OF THE GROUP FOR THE YEAR	6	2,578,365	2,097,305
of which attributable to non-controlling interests		(826,251)	(561,382)
PROFIT FOR THE YEAR ATTRIBUTABLE TO THE SHAREHOLDERS OF TRAFCO		1,752,114	1,535,923
BASIC AND DILUTED EARNINGS PER SHARE (FILS)	8	24	21
OTHER COMPREHENSIVE INCOME			
<i>Items not to be reclassified to profit or loss in subsequent years:</i>			
- Gain on disposal of investments at fair value through other comprehensive income		110,950	35,579
- Net changes in fair value of investments at fair value through other comprehensive income		1,153,432	343,361
- Net changes in fair value of associate's investments at fair value through other comprehensive income		-	(11,063)
		1,264,382	367,877
<i>Item to be reclassified to profit or loss in subsequent years:</i>			
- Foreign exchange differences on translation of foreign operations		(21,982)	(37,042)
Other comprehensive income for the year		1,242,400	330,835
TOTAL COMPREHENSIVE INCOME OF THE GROUP FOR THE YEAR		3,820,765	2,428,140
of which attributable to non-controlling interests	24	(827,207)	(553,387)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR ATTRIBUTABLE TO THE SHAREHOLDERS OF TRAFCO		2,993,558	1,874,753

Ebrahim Mohamed Ali Zainal
Chairman

Yusuf Saleh Abdulla AlSaleh
Vice Chairman

Azzam Moutragi
Group Chief Executive Officer

The attached notes 1 to 30 form part of these consolidated financial statements.

Trafco Group B.S.C.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2023

	Notes	2023 BD	2022 BD
ASSETS			
Non-current assets			
Property, plant and equipment	9	10,066,355	9,273,189
Right-of-use assets	10	3,169,339	3,699,121
Investments at fair value through other comprehensive income	11	15,960,759	14,998,073
		<u>29,196,453</u>	<u>27,970,383</u>
Current assets			
Inventories	13	11,030,116	10,507,359
Right of return assets		44,733	40,609
Trade and other receivables	14	10,676,652	10,574,155
Bank balances and cash	15	5,460,262	3,693,128
		<u>27,211,763</u>	<u>24,815,251</u>
TOTAL ASSETS		<u>56,408,216</u>	<u>52,785,634</u>
EQUITY AND LIABILITIES			
Equity			
Share capital	16	8,067,505	8,067,505
Treasury shares	16	(1,706,644)	(1,706,644)
Share premium	16	3,386,502	3,386,502
Statutory reserve	16	4,033,753	4,033,753
General reserve	16	1,615,000	1,565,000
Fair value reserve	16	8,483,180	7,339,975
Foreign currency reserve	16	(49,259)	(38,048)
Retained earnings - non-distributable	16	496,736	496,736
Retained earnings - distributable		4,597,974	4,047,633
Proposed appropriations		1,311,223	1,162,844
Equity attributable to the shareholders of Trafco		<u>30,235,970</u>	<u>28,355,256</u>
Non-controlling interests	24	5,403,645	4,919,438
Total equity		<u>35,639,615</u>	<u>33,274,694</u>
Non-current liabilities			
Lease liabilities	18	3,009,350	3,389,399
Employees' end of service benefits	19	1,550,553	1,531,760
Term loans	21	2,369,475	1,546,485
Retentions payable	22	56,875	-
Government grant	20	37,298	40,965
		<u>7,023,551</u>	<u>6,508,609</u>
Current liabilities			
Trade and other payables	22	8,214,116	7,298,611
Import loans	23	3,416,930	3,759,063
Bank overdrafts	15	422,152	550,420
Lease liabilities	18	472,337	545,450
Contract and refund liabilities		372,338	295,986
Term loans	21	843,510	549,134
Government grant	20	3,667	3,667
		<u>13,745,050</u>	<u>13,002,331</u>
Total liabilities		<u>20,768,601</u>	<u>19,510,940</u>
TOTAL EQUITY AND LIABILITIES		<u>56,408,216</u>	<u>52,785,634</u>

Ebrahim Mohamed Ali Zainal
Chairman

Yusuf Saleh Abdulla AlSaleh
Vice Chairman

Azzam Moutragi
Group Chief Executive Officer

The attached notes 1 to 30 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2023

		2023	2022
	<i>Notes</i>	BD	BD
OPERATING ACTIVITIES			
Profit of the Group for the year		2,578,365	2,097,305
Adjustments for:			
Finance costs	6	418,014	258,642
Gain on disposal of property, plant and equipment, net	6	(18,123)	(24,885)
Write off of property, plant and equipment	6	-	7,546
Investment income	7	(1,294,024)	(763,612)
Depreciation on property, plant and equipment	9	983,637	1,032,763
Depreciation on right-of-use assets	10	410,944	413,272
Share of results of an associate	30	-	138,319
Provision for slow moving and obsolete of inventories	13	73,516	85,373
Allowance for expected credit losses	14	124,984	24,886
Finance cost on lease liabilities	18	191,968	200,858
Gain on lease termination	18	(107)	-
Other Income		-	(231,672)
Provision for employees' end of service benefits	19	235,196	203,541
Amortisation of Government grant	20	(3,667)	(3,677)
Operating profit before changes in working capital		3,700,703	3,438,659
Working capital changes:			
Inventories		(596,273)	(1,928,858)
Right of return assets		(4,124)	(4,009)
Trade and other receivables		(227,481)	(1,100,805)
Trade and other payables		1,056,678	156,564
Retentions payable		113,750	-
Contract and refund liabilities		76,352	66,862
Net cash generated from operations		4,119,605	628,413
Directors' remuneration paid		(187,000)	(171,800)
Employees' end of service benefits paid	19	(216,403)	(194,764)
Net cash flows from operating activities		3,716,202	261,849
INVESTING ACTIVITIES			
Additions to property, plant and equipment	9	(1,780,204)	(530,575)
Proceeds from disposals of property, plant and equipment		21,524	28,549
Purchase of investments at fair value through other comprehensive income	11	(62,117)	(159,388)
Proceeds from disposals of investments at fair value through other comprehensive income	11	363,813	53,657
Dividends and interest received		1,294,024	763,612
Net cashflow on acquisition of subsidiary	30	-	(200,950)
Net cash flows used in investing activities		(162,960)	(45,095)

The attached notes 1 to 30 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS (continued)

For the year ended 31 December 2023

		2023	2022
	<i>Notes</i>	BD	BD
FINANCING ACTIVITIES			
Term loans availed	27	1,800,000	1,641,516
Repayment of term loans	27	(682,634)	(342,034)
Import loans availed	27	11,716,551	13,106,420
Repayment of import loans	27	(12,058,684)	(12,777,167)
Payment of principal portion of lease liabilities		(334,217)	(308,775)
Finance costs on lease liabilities		(191,968)	(200,858)
Finance costs paid on loans and borrowings		(429,062)	(221,670)
Dividends paid		(1,112,844)	(1,038,684)
Dividend paid to non-controlling interests	24	(343,000)	(294,000)
Net cash flows used in financing activities		(1,635,858)	(435,252)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		1,917,384	(218,498)
Net foreign exchange translation differences		(21,982)	(37,042)
Cash and cash equivalents at 1 January		3,142,708	3,398,248
CASH AND CASH EQUIVALENTS AT 31 DECEMBER	15	5,038,110	3,142,708

Trafco Group B.S.C.
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2023

		Attributable to the shareholders of Trafco Group B.S.C.												
		Reserves												
Notes	Share capital BD	Treasury shares BD	Share premium BD	Statutory reserve BD	General reserve BD	Fair value reserve BD	Foreign currency reserve BD	Retained earnings-non distributable BD	Retained earnings - distributable BD	Proposed appropriations BD	Total reserves BD	Shareholders' equity BD	Non-controlling interests BD	Total equity BD
Balance at 1 January 2023	8,067,505	(1,706,644)	3,386,502	4,033,753	1,565,000	7,339,975	(38,048)	496,736	4,047,633	1,162,844	18,607,893	28,355,256	4,919,438	33,274,694
Profit for the year	-	-	-	-	-	-	-	-	1,752,114	-	1,752,114	1,752,114	826,251	2,578,365
Other comprehensive income (loss)	-	-	-	-	-	1,252,655	(11,211)	-	-	-	1,241,444	1,241,444	956	1,242,400
Total comprehensive income (loss) for the year	-	-	-	-	-	1,252,655	(11,211)	-	1,752,114	-	2,993,558	2,993,558	827,207	3,820,765
2022 Appropriations:														
- General reserve - 2022	16	-	-	-	50,000	-	-	-	-	(50,000)	-	-	-	-
- Dividends paid - 2022	17	-	-	-	-	-	-	-	-	(1,112,844)	(1,112,844)	(1,112,844)	-	(1,112,844)
2023 - Proposed appropriations:														
- General reserve - 2023	16	-	-	-	-	-	-	-	(50,000)	50,000	-	-	-	-
- Proposed dividend - 2023	17	-	-	-	-	-	-	-	(1,261,223)	1,261,223	-	-	-	-
Dividend paid to non-controlling interests	24	-	-	-	-	-	-	-	-	-	-	-	(343,000)	(343,000)
Transfer of fair value reserve of investments at fair value through other comprehensive income		-	-	-	-	(109,450)	-	-	109,450	-	-	-	-	-
Balance at 31 December 2023	8,067,505	(1,706,644)	3,386,502	4,033,753	1,615,000	8,483,180	(49,259)	496,736	4,597,974	1,311,223	20,488,607	30,235,970	5,403,645	35,639,615

The attached notes 1 to 30 form part of these consolidated financial statements.

Trafco Group B.S.C.
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2023

		Attributable to the shareholders of Trafco Group B.S.C.												
		Reserves											Non-controlling interests BD	Total equity BD
Notes	Share capital BD	Treasury shares BD	Share premium BD	Statutory reserve BD	General reserve BD	Fair value reserve BD	Foreign currency reserve BD	Retained earnings-non distributable BD	Retained earnings - distributable BD	Proposed appropriations BD	Total reserves BD	Shareholders' equity BD		
Balance at 1 January 2022	8,067,505	(1,706,644)	3,386,502	4,033,753	1,515,000	6,976,287	(19,157)	496,736	3,638,863	1,088,766	17,730,248	27,477,611	4,660,051	32,137,662
Profit for the year	-	-	-	-	-	-	-	-	1,535,923	-	1,535,923	1,535,923	561,382	2,097,305
Other comprehensive income (loss)	-	-	-	-	-	357,721	(18,891)	-	-	-	338,830	338,830	(7,995)	330,835
Total comprehensive income (loss) for the year	-	-	-	-	-	357,721	(18,891)	-	1,535,923	-	1,874,753	1,874,753	553,387	2,428,140
2021 Appropriations:														
- General reserve - 2021	16	-	-	-	-	50,000	-	-	-	(50,000)	-	-	-	-
- Dividends paid - 2021	17	-	-	-	-	-	-	-	112	(1,038,766)	(1,038,654)	(1,038,654)	-	(1,038,654)
2022 - Proposed appropriations:														
- General reserve - 2022	16	-	-	-	-	-	-	-	(50,000)	50,000	-	-	-	-
- Proposed dividend - 2022	17	-	-	-	-	-	-	-	(1,112,844)	1,112,844	-	-	-	-
Deemed disposal of associate	31	-	-	-	-	-	41,546	-	-	-	41,546	41,546	-	41,546
Dividend to non-controlling interests	24	-	-	-	-	-	-	-	-	-	-	-	(294,000)	(294,000)
Transfer of fair value reserve of investments at fair value through other comprehensive income		-	-	-	-	-	(35,579)	-	-	35,579	-	-	-	-
Balance at 31 December 2022	8,067,505	(1,706,644)	3,386,502	4,033,753	1,565,000	7,339,975	(38,048)	496,736	4,047,633	1,162,844	18,607,893	28,355,256	4,919,438	33,274,694

The attached notes 1 to 30 form part of these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at 31 December 2023

1 CORPORATE INFORMATION

Trafco Group B.S.C. ('the Company' or 'Trafco' or 'the parent company') is a public joint stock company, the shares of which are listed and publicly traded on Bahrain Bourse. The Company was incorporated in the Kingdom of Bahrain by Amiri Decree No. 10 of November 1977. The Company operates in accordance with the provisions of the Bahrain Commercial Companies Law under commercial registration (CR) number 8500 issued by the Ministry of Industry and Commerce. The postal address of the Company's registered office is PO Box 20202, Manama, Kingdom of Bahrain. The Company's principal activity is trading in food products.

The consolidated financial statements were authorised for issue in accordance with a resolution of the Board of Directors on 26 February 2024. The Group comprises of the Company and its following subsidiaries and associates:

Relationship / name	Country of incorporation	Ownership interest		Principal activities
		2023	2022	
Subsidiaries				
Bahrain Water Bottling & Beverages Company W.L.L.	Kingdom of Bahrain	100%	100%	Producing, bottling and marketing of sweet drinking water and beverages.
Bahrain Fresh Fruits Company W.L.L.	Kingdom of Bahrain	100%	100%	Trading in fresh fruits, vegetables and other food products.
Trafco Logistics Company W.L.L.	Kingdom of Bahrain	100%	100%	Providing storage and logistics services.
Awal Dairy Company W.L.L.	Kingdom of Bahrain	51%	51%	Production and supply of milk, juices, ice cream and tomato paste.
Bahrain Livestock Company W.L.L.	Kingdom of Bahrain	100%*	100%*	Import of both livestock and chilled meat.
Kuwait Bahrain Dairy Company W.L.L. **	State of Kuwait	50%**	50%**	Marketing and supply of milk, juices and associated products.
Associates				
Qatari Bahraini Food Trading Co. L.L.C.	State of Qatar	50%	50%	Under liquidation.

* During the year ended 31 December 2022, the Group acquired remaining stake in Bahrain Livestock Company W.L.L. ("BLSC" or "subsidiary"), hence BLSC became a wholly owned subsidiary of the Group.

** Effective ownership. Owned by Awal Dairy Company W.L.L.

Except for Awal Dairy Company W.L.L. and its subsidiary Kuwait Bahrain Dairy Company W.L.L. which have 30 September financial year-ends, the financial year-end of all the remaining subsidiaries is 31 December.

The Group operates in the Kingdom of Bahrain, State of Kuwait and Kingdom of Saudi Arabia.

2 MATERIAL ACCOUNTING POLICIES

Basis of preparation

The consolidated financial statements are prepared under the historical cost convention, except for investments at fair value through other comprehensive income that have been measured at fair value.

The consolidated financial statements have been presented in Bahraini Dinars (BD) which is the functional currency of the Company and the presentation currency of the Group.

Statement of compliance

The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards (IFRS), as issued by the International Accounting Standards Board (IASB), and in conformity with the Bahrain Commercial Companies Law, the Central Bank of Bahrain (CBB) Rule Book (applicable provisions of Volume 6) and CBB directives, regulations and associated resolutions, rules and procedures of the Bahrain Bourse.

Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at 31 December 2023. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if and only if the Group has:

- power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee);
- exposure, or rights, to variable returns from its involvement with the investee; and
- the ability to use its power over the investee to affect its returns.

Generally, there is a presumption that a majority of voting rights results in control. To support this presumption and when the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- the contractual arrangement with the other vote holders of the investee;
- rights arising from other contractual arrangements; and
- the Group's voting rights and potential voting rights.

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Group obtains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income (OCI) are attributed to the shareholders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses, cash flows and unrealised gains or losses relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises the related assets (including goodwill), liabilities, non-controlling interest and other components of equity while any resultant gain or loss is recognised in profit or loss. Any investment retained is recognised at fair value.

2 MATERIAL ACCOUNTING POLICIES (continued)

New and amended standards and interpretations effective as of 1 January 2023

The accounting policies adopted in the preparation of these consolidated financial statements are consistent with those used in the previous year, except for certain amendments to standards adopted by the Group as of 1 January 2023. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective. The adoption of these standards and interpretations did not have any effect on the Group's financial position, financial performance or disclosures.

- *Definition of Accounting Estimates - Amendments to IAS 8: The amendments to IAS 8 clarify the distinction between changes in accounting estimates, and changes in accounting policies and the correction of errors. They also clarify how entities use measurement techniques and inputs to develop accounting estimates;*
- *Disclosure of Accounting Policies - Amendments to IAS 1 and IFRS Practice Statement 2: The amendments to IAS 1 and IFRS Practice Statement 2 Making Materiality Judgements provide guidance and examples to help entities apply materiality judgements to accounting policy disclosures. The amendments aim to help entities provide accounting policy disclosures that are more useful by replacing the requirement for entities to disclose their 'significant' accounting policies with a requirement to disclose their 'material' accounting policies and adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures;*
- *Deferred Tax related to Assets and Liabilities arising from a Single Transaction – Amendments to IAS 12: The amendments to IAS 12 Income Tax narrow the scope of the initial recognition exception, so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences such as leases and decommissioning liabilities; and*
- *International Tax Reform – Pillar Two Model Rules - Amendments to IAS 12: The amendments clarify that IAS 12 applies to income taxes arising from tax law enacted or substantively enacted to implement the Pillar Two Model Rules published by the Organisation for Economic Cooperation and Development (OECD), including tax law that implements qualified domestic minimum top-up taxes. Such tax legislation, and the income taxes arising from it, are referred to as 'Pillar Two legislation' and 'Pillar Two income taxes', respectively.*

Foreign currency transactions

The Group's consolidated financial statements are presented in Bahraini Dinars (BD) which is also the Company's functional currency. For each entity, the Group determines the functional currency and items included in the financial statements of each entity are measured using that functional currency. The Group uses the direct method of consolidation and has elected to recycle to profit or loss the gain or loss that arises from using this method.

Transactions and balances

Transactions in foreign currencies are initially recorded at their respective functional currency spot rates at the date the transaction first qualifies for recognition.

Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency spot rate of exchange at the reporting date.

All differences arising on settlement or translation of monetary items are taken to the profit or loss.

2 MATERIAL ACCOUNTING POLICIES (continued)

Foreign currency transactions (continued)

Transactions and balances (continued)

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. The gain or loss arising on retranslation of non-monetary items is treated in line with the recognition of gain or loss on change in fair value of the item (i.e., translation differences on items whose fair value gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss, respectively).

Group companies

On consolidation, the assets and liabilities of foreign operations are translated into BD at the rate of exchange prevailing at the reporting date and their statements of income are translated at the weighted average exchange rates for the year. The exchange differences arising on the translation for consolidation are recognised in other comprehensive income. On disposal of a foreign operation, the component recognised in the consolidated statement of changes in equity relating to that particular foreign operation is recognised in profit or loss.

Revenue recognition

Revenue from contract with customers

The Group is in the business of production, marketing and trading in food products and beverages and providing storage and logistics services. Revenue from contracts with customers is recognised when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services. The Group has generally concluded that it is the principal in its revenue arrangements because it typically controls the goods or services before transferring them to the customer.

The recognition criteria for various types of revenue are as follows:

Sale of goods

Revenue from sale of goods is recognised at the point in time when control is transferred to the customer, generally on delivery of the goods.

The Group considers whether there are other promises in the contract that are separate performance obligations to which a portion of the transaction price needs to be allocated. In determining the transaction price for the sale of goods, the Group considers the effects of variable consideration, the existence of significant financing components, non-cash consideration and consideration payable to the customer (if any). Presently only variable consideration has an effect on the Group's revenue recognition.

Sale of services

The Group recognises revenue from services over time when the services are rendered because the customer simultaneously receives and consumes the benefits provided by the Group.

Variable consideration

If the consideration in a contract includes a variable amount, the Group estimates the amount of consideration to which it will be entitled in exchange for transferring the goods to the customers. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognised will not occur when the associated uncertainty with the variable consideration is subsequently resolved. Some contracts for the sale of goods provide customers with a right of return, volume rebates and display fees. The rights of return, volume rebates and display fees give rise to variable consideration.

2 MATERIAL ACCOUNTING POLICIES (continued)

Variable consideration (continued)

- *Right of return*

Certain contracts provide a customer with a right to return the goods within a specified period. The Group uses the expected value method to estimate the goods that will not be returned because this method best predicts the amount of variable consideration to which the Group will be entitled. The requirements in IFRS 15 on constraining estimates of variable consideration are also applied in order to determine the amount of variable consideration that can be included in the transaction price. For goods that are expected to be returned, instead of revenue, the Group recognises a refund liability. A right of return asset (and corresponding adjustment to cost of sales) is also recognised for the right to recover products from a customer.

- *Volume rebates*

The Group provides retrospective volume rebates to certain customers once the quantity of products purchased during the period exceeds a threshold specified in the contract. Rebates are offset against amounts payable by the customers. To estimate the variable consideration for the expected future rebates, the Group applies the most likely amount method for contracts with a single-volume threshold and the expected value method for contracts with more than one volume threshold. The selected method that best predicts the amount of variable consideration is primarily driven by the number of volume thresholds contained in the contract. The Group then applies the requirements on constraining estimates of variable consideration and recognises a contract liability for the expected future rebates.

- *Display fees*

The Group pays display fees to its customers for renting of shelf for displaying its products. Display fees are offset against amounts payable by the customer. Display fees give rise to variable consideration which the Group applies by reducing the revenue.

Contract balances

Trade receivables

A receivable represents the Group's right to an amount of consideration that is unconditional (i.e., only the passage of time is required before payment of the consideration is due). Refer to accounting policies relating to financial assets later in this note for further details.

Contract liabilities

A contract liability is the obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer. If a customer pays consideration before the Group transfers goods or services to the customer, a contract liability is recognised when the payment is made or the payment is due (whichever is earlier). Contract liabilities are recognised as revenue when the Group performs under the contract.

Right of return assets

Right of return asset represents the Group's right to recover the goods expected to be returned by customers. The asset is measured at the former carrying amount of the inventory, less any expected costs to recover the goods, including any potential decreases in the value of the returned goods. The Group updates the measurement of the asset recorded for any revisions to its expected level of returns, as well as any additional decreases in the value of the returned products.

2 MATERIAL ACCOUNTING POLICIES (continued)

Contract balances (continued)

Refund liabilities

A refund liability is the obligation to refund some or all of the consideration received (or receivable) from the customer and is measured at the amount the Group ultimately expects it will have to return to the customer. The Group updates its estimates of refund liabilities (and the corresponding change in the transaction price) at the end of each reporting period. Refer to the accounting policy on variable consideration earlier in this note.

Government grant

Government grants are recognised where there is reasonable assurance that the grant will be received and all attached conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the related costs, for which it is intended to compensate, are expensed. When the grant relates to an asset, it is recognised as income in equal amounts over the expected useful life of the related asset.

When the Group receives grants of non-monetary assets, the asset and the grant are recorded at nominal amounts and released to profit or loss over the expected useful life of the asset, based on the pattern of consumption of the benefits of the underlying asset by equal instalments.

Other income recognition

Interest income

Interest income is recorded using the effective interest rate (EIR) method, which is the rate that exactly discounts the estimated future cash payments or receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or liability.

Dividend income

Revenue is recognised when the Group's right to receive the payment is established, which is generally when shareholders of the investee approve the dividend.

Other revenue

Other revenue is recognised on an accrual basis when income is earned.

Property, plant and equipment

Property, plant and equipment is stated at cost, net of accumulated depreciation and impairment in value, if any. Such cost includes the cost of replacing a part of the property, plant and equipment and borrowing costs for long-term construction projects if the recognition criteria are met. When significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the property, plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in profit or loss when incurred.

Depreciation is calculated on a straight-line basis over the estimated useful lives of the assets, except for freehold land and capital work-in-progress, as follows:

- | | |
|---|--|
| - Buildings on leasehold land | lesser of 10 to 30 years or lease term |
| - Plant, machinery and cold store equipment | over 2 to 15 years |
| - Furniture, fixtures and office equipment | over 2 to 5 years |
| - Motor vehicles | over 4 to 12 years |

2 MATERIAL ACCOUNTING POLICIES (continued)

Property, plant and equipment (continued)

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets are written down to their recoverable amount, being the higher of their fair value less costs to sell and their value in use.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is recognised in profit or loss in the year the asset is derecognised.

The assets' residual values, useful lives and methods of depreciation are reviewed at each financial year-end and adjusted prospectively if appropriate.

Inventories

Inventories are stated at the lower of cost and net realisable value after making due provision for any obsolete or slow moving items. Costs are those expenses incurred in bringing each product to its present location and condition, and are accounted for as follows:

Raw materials, consumables, spare parts and other items	-	landed costs on a weighted average basis.
Finished goods	-	costs of direct materials and labour and proportion of manufacturing overheads based on normal operating capacity.
Goods for sale	-	landed costs on a first-in, first-out basis.
Right of return asset	-	Original cost less estimated cost necessary to make sale.

Net realisable value is based on estimated selling price in the ordinary course of business less estimated costs of completion and the estimated costs necessary to make the sale.

Leases - Group as a lessee

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

i) Right-of-use assets

The Group recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the underlying assets, as follows:

- Land	30 years
- Buildings	3 to 5 years
- Motor vehicles	3 to 5 years

If ownership of the leased asset transfers to the Group at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

2 MATERIAL ACCOUNTING POLICIES (continued)

Leases - Group as a lessee (continued)

i) Right-of-use assets (continued)

The Group's lease arrangements do not contain an obligation to dismantle and remove the underlying asset, restore the site on which it is located or restore the underlying asset to a specified condition.

ii) Lease liabilities

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating the lease, if the lease term reflects the Group exercising the option to terminate.

Variable lease payments that do not depend on an index or a rate are recognised as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the recognition of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

Impairment of non-financial assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets.

When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices or other available fair value indicators.

An assessment is made at each reporting date whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Group estimates the asset's or CGU's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in profit or loss.

2 MATERIAL ACCOUNTING POLICIES (continued)

Investment in an associate

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

The considerations made in determining significant influence are similar to those necessary to determine control over subsidiaries. The Group's investment in an associate is accounted for using the equity method.

Under the equity method, the investment in an associate is initially recognised at cost. The carrying amount of the investment is adjusted to recognise changes in the Group's share of net assets of the associate since the acquisition date. Goodwill relating to the associate is included in the carrying amount of the investment and is neither amortised nor individually tested for impairment.

Group's share of the results of operations of the associate is included in profit or loss outside operating profit and represents results after tax and non-controlling interests in the subsidiaries of the associate. Any change in other comprehensive income of the associate is presented as part of the Group's other comprehensive income. In addition, when there has been a change recognised directly in the equity of the associate, the Group recognises its share of any changes, when applicable, in the consolidated statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and the associate are eliminated to the extent of the Group's investment in the associate.

The financial statements of the associate is prepared for the same reporting period as the Group. When necessary, adjustments are made to bring the accounting policies in line with those of the Group.

After application of the equity method, the Group determines whether it is necessary to recognise an impairment loss on its investment in its associate. At each reporting date, the Group determines whether there is objective evidence that the investment in the associate is impaired. If there is such evidence, the Group calculates the amount of impairment as the difference between the recoverable amount of its investment in associate and its carrying value, then recognises the loss as 'Share of results of associate' in profit or loss.

Upon loss of significant influence over the associate, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

Current versus non-current classification

The Group presents assets and liabilities in the consolidated statement of financial position based on a current/non-current classification.

An asset is classified as current when it is:

- expected to be realised or intended to be sold or consumed in the normal operating cycle;
- held primarily for the purpose of trading;
- expected to be realised within twelve months after the reporting period; or
- cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current.

2 MATERIAL ACCOUNTING POLICIES (continued)

Current versus non-current classification (continued)

A liability is classified as current when:

- it is expected to be settled in the normal operating cycle;
- it is held primarily for the purpose of trading;
- it is due to be settled within twelve months after the reporting period; or
- there is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

All other liabilities are classified as non-current.

Financial instruments - recognition and measurement

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income (FVOCI) or fair value through profit or loss (FVTPL). Except for equity instruments, the classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient, the Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under IFRS 15.

In order for a financial asset to be classified and measured at amortised cost or fair value through other comprehensive income, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that the Group commits to purchase or sell the asset.

The group's financial assets include investments at fair value through other comprehensive income, trade and other receivables, bank balances and cash.

Subsequent measurement

For purposes of subsequent measurement, financial assets are classified in following categories:

- Financial assets at amortised cost;
- Financial assets at fair value through other comprehensive income with recycling of cumulative gains and losses (debt instruments); and
- Financial assets designated at fair value through other comprehensive income with no recycling of cumulative gains and losses upon derecognition (equity instruments).

2 MATERIAL ACCOUNTING POLICIES (continued)

Financial instruments - recognition and measurement (continued)

Financial assets (continued)

Subsequent measurement (continued)

Financial assets at amortised cost

This category is the most relevant to the Group. The Group measures financial assets at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortised cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

The Group's financial assets at amortised cost includes trade and other receivables, bank balances and cash.

Financial assets designated at fair value through other comprehensive income (FVOCI)

(i) Equity instruments

Equity investments classified at FVOCI are subsequently measured at fair value with changes in fair value recognised in other comprehensive income. Such cumulative gains or losses recognised in "fair value reserve" within the statement of changes in equity are never reclassified to profit or loss on disposals. Dividends are recognised as investment income in profit or loss when the right of payment has been established, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in other comprehensive income. Equity investments classified at FVOCI are not tested for impairment.

The Group elected to classify irrevocably its equity investments under this category.

(ii) Debt instruments

The Group measures debt instruments at FVOCI if both of the following conditions are met:

- The financial asset is held within a business model with the objective of both holding to collect contractual cash flows and selling; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Investments in debt instruments classified at FVOCI are subsequently measured at fair value with changes in fair value are recognised in other comprehensive income. Such cumulative gains or losses recognised in consolidated statement of changes equity are recognised in profit or loss on disposal.

Interest income, foreign exchange revaluation and impairment losses or reversals are recognised in profit or loss and computed in the same manner as for financial assets measured at amortised cost. The Group's debt instruments at FVOCI include investments in quoted debt instruments.

2 MATERIAL ACCOUNTING POLICIES (continued)

Financial instruments - recognition and measurement (continued)

Derecognition of financial assets

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- the rights to receive cash flows from the asset have expired; or
- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either
 - (a) the Group has transferred substantially all the risks and rewards of the asset, or
 - (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Impairment of financial assets

The Group recognises an allowance for expected credit losses (ECLs) for all debt instruments. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

For trade receivables which is the only significant financial asset exposed to credit risk, the Group applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for any relevant forward-looking factors.

The Group's debt instruments at fair value through OCI comprise solely of quoted bonds that are graded in the top investment category and, therefore, are considered to be low credit risk investments. It is the Group's policy to measure ECLs on such instruments on a 12-month basis. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime ECL. The Group uses the ratings and other factors to determine whether the debt instrument has significantly increased in credit risk and to estimate ECLs.

The Group considers a financial asset in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

2 MATERIAL ACCOUNTING POLICIES (continued)

Financial instruments - recognition and measurement (continued)

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss or financial liabilities at amortised cost as appropriate. All financial liabilities are recognised initially at fair value and, in the case financial liabilities at amortised cost, net of directly attributable transaction costs. The Group's financial liabilities mainly include trade and other payables, term loans, import loans, lease liabilities and bank overdrafts.

Subsequent measurement

All financial liabilities of the Group are subsequently measured at amortized cost. Such liabilities are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the profit or loss.

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in profit or loss.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the consolidated statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- in the principal market for the asset or liability, or
- in the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible by the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

2 MATERIAL ACCOUNTING POLICIES (continued)

Fair value measurement (continued)

All assets and liabilities for which fair value is measured or disclosed in the consolidated financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities;
- Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable; and
- Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognised in the consolidated financial statements on a recurring basis, the Group determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Treasury shares

Own equity instruments which are reacquired (treasury shares) are recognised at cost and deducted from equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of own equity instruments. Voting rights related to treasury shares are nullified for the Company and no dividends are allocated to them.

Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents consist of cash on hand and bank balances, net of outstanding bank overdrafts.

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Group expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in profit or loss, net of any reimbursement.

Employees' end of service benefits

The Group makes contributions to the Social Insurance Organisation (SIO), Bahrain for its Bahraini employees and Public Authority for Social Security, Kuwait for its Kuwaiti employees, Kingdom of Saudi Arabia for its Saudi employees, calculated as a percentage of the employees' salaries. The Group's obligations are limited to these contributions, which are expensed when due.

The Group also provides for end of service benefits for its expatriate employees. The entitlement to these benefits is based upon the employee's final salary and length of service. The expected costs of these benefits are accrued over the period of employment.

Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, which is measured at acquisition date fair value, and the amount of any non-controlling interests in the acquiree plus, if the business combination is achieved in stages, the fair value of the existing equity interest in the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred and included in profit or loss.

2 MATERIAL ACCOUNTING POLICIES (continued)

Business combinations and goodwill (continued)

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date.

Goodwill is initially measured at cost (being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interests and any previous interest held over the net identifiable assets acquired and liabilities assumed). If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognised at the acquisition date. If the reassessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognised in profit or loss. After initial recognition, goodwill is measured at cost less any accumulated impairment losses.

3 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the Group's consolidated financial statements requires the Board of Directors to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets, liabilities and the disclosure of contingent liabilities, at the reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the assets or liabilities affected in future periods.

Judgements

In the process of applying the Group's accounting policies, the Board of Directors has made the following judgements, which have the most significant effect on the amounts recognised in the consolidated financial statements:

Going concern

The Company's Board of Directors has made an assessment of the Group's ability to continue as a going concern and is satisfied that the Group has the resources to continue the business for the foreseeable future. Furthermore, the Board of Directors is not aware of any material uncertainties that may cast a significant doubt about the Group's ability to continue as a going concern. Therefore, the consolidated financial statements continue to be prepared on a going concern basis.

Classification of investments

The Group's management determines the classification of investments on initial recognition as "financial asset at fair value through profit or loss" or "financial asset at fair value through other comprehensive income". The investments are classified as "financial asset at fair value through profit or loss" if they are acquired for the purpose of selling in the near term. All other investments are classified as "financial asset at fair value through other comprehensive income".

Determining the lease term of contracts with renewal and termination options

The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

3 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (continued)

Judgements (continued)

Determining the lease term of contracts with renewal and termination options (continued)

The Group has several lease contracts that include extension and termination options. The Group applies judgement in evaluating whether it is reasonably certain whether or not to exercise the option to renew or terminate the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise either the renewal or termination. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise or not to exercise the option to renew or to terminate (e.g., construction of significant leasehold improvements or significant customisation to the leased asset).

The Group included the renewal period as part of the lease term for leases with shorter non-cancellable period (i.e., three to five years). The Group typically exercises its option to renew for these leases because there will be a significant negative effect on operations if a replacement asset is not readily available. The renewal periods for leases with longer non-cancellable periods (i.e., 10 to 15 years) are not included as part of the lease term as these are not reasonably certain to be exercised. In addition, the renewal options for leases of motor vehicles are not included as part of the lease term because the Group typically leases motor vehicles for not more than five years and, hence, is not exercising any renewal options. Furthermore, the periods covered by termination options are included as part of the lease term only when they are reasonably certain not to be exercised.

Revenue from contracts with customers

The Group applied judgements that significantly affect the determination of the amount and timing of revenue from contracts with customers. The Group has concluded that revenue from sale of goods is to be recognised at the point in time when control of goods is transferred to the customer and revenue from services is to be recognised over time because the customers simultaneously receive and consume the benefits provided by the Group.

Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Group based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Group.

Valuation of unquoted investments at fair value through other comprehensive income

Management uses its best judgement in determining fair values of the unquoted private equity investments by reference to using fair value provided by the investment managers or other appropriate valuation techniques including fair values determined based on unobservable inputs using a market multiples or other appropriate valuation methodologies. Management uses its best judgement, however, the actual amount realised in a future transaction may differ from the current estimate of fair value given the inherent uncertainty surrounding the valuation of unquoted equity investments.

Provision for slow moving and obsolete inventories

Inventories are held at the lower of cost and net realisable value. When inventories become old or obsolete, an estimate is made of their net realisable value. For individually significant amounts this estimation is performed on an individual basis. Amounts which are not individually significant, but which are old or obsolete, are assessed collectively and a provision applied according to the inventory type and the degree of ageing or obsolescence, based on historical selling prices and next year budget.

At the reporting date, gross inventories amounted to BD 11,669,555 (2022: BD 11,247,455), with a provision for slow moving and obsolete inventories of BD 639,439 (2022: BD 740,096). Any difference between the amounts actually realised in future periods and the amounts expected will be recognised in profit or loss.

3 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (continued)

Estimates and assumptions (continued)

Impairment of property, plant and equipment and right-of-use of assets

The Group assesses at each reporting date whether there is any indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount. An asset's recoverable amount is higher of an asset's or cash-generating unit's (CGU) fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or group of assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessment of the time value of money and the risks specific to the assets. The Board of Directors do not believe that there is any impairment of property, plant and equipment and right-of-use of assets as at 31 December 2023 and 31 December 2022.

Useful lives of property, plant and equipment

The Group's management determines the estimated useful lives of its property, plant and equipment for calculating depreciation. This estimate is determined after considering the expected usage of the asset or physical wear and tear. Management reviews the residual values and useful lives annually and future depreciation charges would be adjusted where management believes the useful lives differ from previous estimates.

Allowance for expected credit losses

The determination of 'allowance of expected credit losses' as discussed in note 2 involves estimates and assumptions.

The provision matrix is initially based on the Group's historical observed default rates. The Group will calibrate the matrix to adjust the historical credit loss experience with the forward-looking information. For instance, if forecast economic conditions (i.e. inflation rate) are expected to deteriorate over the next year which can lead to an increased number of defaults in the consumer sector, the historical default rates are adjusted. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

The assessment of the correlation between historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future.

At the reporting date, gross trade receivables (including related party receivables) were BD 10,591,886 (2022: BD 10,832,029), with an allowance for expected credit loss of BD 1,512,916 (2022: BD 1,387,932). Any difference between the amounts actually collected in future periods and the amounts expected will be recognised in profit or loss.

Estimating variable consideration for returns and volume rebates

The Group estimates variable considerations to be included in the transaction price for the sale of good with rights of return and volume rebates.

The Group used the historical return data of each product to come up with expected return percentages. These percentages are applied to determine the expected value of the variable consideration. Any significant changes in experience as compared to historical return pattern will impact the expected return percentages estimated by the Group.

3 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (continued)

Estimates and assumptions (continued)

Estimating variable consideration for returns and volume rebates (continued)

The Group's expected volume rebates are analysed on a per customer basis for contracts that are subject to a single volume threshold. Determining whether a customer will be likely entitled to rebate will depend on the customer's historical rebates entitlement and accumulated purchases to date.

For volume rebates for contract with more than one volume threshold, the Group uses the historical purchasing patterns and rebates entitlement of customers to determine the expected rebate percentages and the expected value of the variable consideration. Any significant changes in experience as compared to historical purchasing patterns and rebate entitlements of customers will impact the expected rebate percentages estimated by the Group.

The Group updates its assessment of expected returns and volume rebates on a quarterly basis and the refund liabilities are adjusted accordingly. Estimates of expected returns and volume rebates are sensitive to changes in circumstances and the Group's past experience regarding returns and rebate entitlements may not be representative of customers' actual returns and rebate entitlements in the future. As at 31 December 2023, the amount recognised as refund liabilities for the expected returns and contract liability for volume rebates was BD 59,936 (2022: BD 54,045) and BD 312,402 (2022: BD 221,963) respectively.

Incremental borrowing rate for leases

The Group cannot readily determine the interest rate implicit in the lease, therefore, it uses its incremental borrowing rate (IBR) to measure lease liabilities. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR, therefore, reflects what the Group 'would have to pay', which requires estimation when no observable rates are available (such as for subsidiaries that do not enter into financing transactions) or when they need to be adjusted to reflect the terms and conditions of the lease (for example, when leases are not in an entity's functional currency).

The Group estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates (such as the entity's stand-alone credit rating).

4 STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE

Standards and interpretations issued but not yet effective up to the date of issuance of the Group's consolidated financial statements are disclosed below. The Group intends to adopt these standards, if applicable, when they become effective:

- *Amendments to IFRS 16 – Lease Liability in a Sale and Leaseback: In September 2022, the IASB issued amendments to IFRS 16 to specifies the requirements that a seller-lessee uses in measuring the lease liability arising in a sale and leaseback transaction, to ensure the seller-lessee does not recognise any amount of the gain or loss that relates to the right of use it retains. The amendments are effective for annual reporting periods beginning on or after 1 January 2024 and must be applied retrospectively;*
- *Amendments to IAS 1: Classification of Liabilities as Current or Non-current: In January 2020, the IASB issued amendments to IAS 1 to specify the requirements for classifying liabilities as current or non-current. The amendments are effective for annual reporting periods beginning on or after 1 January 2024 and must be applied retrospectively;*

4 STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE (continued)

- *Amendments to IAS 7 and IFRS 7 – Disclosures - Supplier Finance Arrangements: In May 2023, the IASB issued these amendments to clarify the characteristics of supplier finance arrangements and require additional disclosure of such arrangements. The disclosure requirements in the amendments are intended to assist users of financial statements in understanding the effects of supplier finance arrangements on an entity's liabilities, cash flows and exposure to liquidity risk. The amendments will be effective for annual reporting periods beginning on or after 1 January 2024.*

The Group's management is currently assessing the impact of above mentioned new and amended standards and interpretations on Group's future financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at 31 December 2023

5 REVENUE

The following table presents the disaggregation of the Group's revenue for the years ended 31 December 2023 and 31 December 2022:

	<i>Wholesale operations</i>		<i>Retail operations</i>		<i>Dairy products and beverages</i>		<i>Fruits and vegetables</i>		<i>Storage and logistics</i>		<i>Livestock*</i>		<i>Total</i>	
	<i>2023</i>	<i>2022</i>	<i>2023</i>	<i>2022</i>	<i>2023</i>	<i>2022</i>	<i>2023</i>	<i>2022</i>	<i>2023</i>	<i>2022</i>	<i>2023</i>	<i>2022</i>	<i>2023</i>	<i>2022</i>
	<i>BD</i>	<i>BD</i>	<i>BD</i>	<i>BD</i>	<i>BD</i>	<i>BD</i>	<i>BD</i>	<i>BD</i>	<i>BD</i>	<i>BD</i>	<i>BD</i>	<i>BD</i>	<i>BD</i>	<i>BD</i>
<i>Types of revenue</i>														
Sale of goods	14,487,606	15,688,241	1,109,351	1,311,818	22,979,895	19,864,926	2,053,607	2,141,718	-	-	4,820,814	2,864,672	45,451,273	41,871,375
Rendering of services	-	-	-	-	-	-	-	-	650,139	701,467	-	-	650,139	701,467
Total revenue	14,487,606	15,688,241	1,109,351	1,311,818	22,979,895	19,864,926	2,053,607	2,141,718	650,139	701,467	4,820,814	2,864,672	46,101,412	42,572,842
<i>Geographic markets</i>														
Bahrain	14,487,606	15,688,241	1,109,351	1,311,818	17,322,349	14,674,111	2,053,607	2,141,718	650,139	701,467	4,820,814	2,864,672	40,443,866	37,382,027
Other GCC countries	-	-	-	-	5,657,546	5,190,815	-	-	-	-	-	-	5,657,546	5,190,815
Total revenue	14,487,606	15,688,241	1,109,351	1,311,818	22,979,895	19,864,926	2,053,607	2,141,718	650,139	701,467	4,820,814	2,864,672	46,101,412	42,572,842
<i>Timing of revenue recognition</i>														
Goods transferred at a point in time	14,487,606	15,688,241	1,109,351	1,311,818	22,979,895	19,864,926	2,053,607	2,141,718	-	-	4,820,814	2,864,672	45,451,273	41,871,375
Services transferred over time	-	-	-	-	-	-	-	-	650,139	701,467	-	-	650,139	701,467
Total revenue	14,487,606	15,688,241	1,109,351	1,311,818	22,979,895	19,864,926	2,053,607	2,141,718	650,139	701,467	4,820,814	2,864,672	46,101,412	42,572,842

* New segment as a result of acquisition of Bahrain Livestock Company W.L.L during second quarter of 2022.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at 31 December 2023

6 PROFIT OF THE GROUP FOR THE YEAR

Profit of the Group for the year is stated after charging:

	2023	2022
	BD	BD
Inventories recognised as an expense on sale of finished goods	34,582,885	31,954,241
Provision for slow moving and obsolete inventories (note 13)	73,516	85,373
Allowance for expected credit losses on trade receivables (note 14)	124,984	24,886
Gain on disposal of property, plant and equipment, net	18,123	24,885
Write off of property, plant and equipment	-	7,546
	2023	2022
	BD	BD
<i>Finance costs</i>		
Interest on term loans and import loans	349,389	212,976
Interest on bank overdrafts	41,904	25,398
Bank charges	26,721	20,268
	418,014	258,642
	2023	2022
	BD	BD
<i>Personnel costs</i>		
Salaries and wages	4,869,177	4,320,746
Contributions for employees' social insurance	276,379	280,153
Employees' end of service benefits (note 19)	235,196	203,541
Other benefits	718,466	670,377
	6,099,218	5,474,817

The personnel costs have been presented in the consolidated statement of profit or loss and other comprehensive income as follows:

	2023	2022
	BD	BD
Costs of revenue	1,755,628	1,561,983
Personnel costs	4,343,590	3,912,834
	6,099,218	5,474,817

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at 31 December 2023

7 INVESTMENT INCOME

	2023 BD	2022 BD
Dividend income	1,165,300	672,924
Interest income	128,724	90,688
	<u>1,294,024</u>	<u>763,612</u>

8 EARNINGS PER SHARE

The basic earnings per share is calculated by dividing the profit for the year attributable to the shareholders of Trafco Group B.S.C. by the weighted average number of shares outstanding during the year, excluding the weighted average number of shares repurchased by the Company and held as treasury shares.

The following reflects the income and share data used in the basic and diluted earnings per share computations:

	2023	2022
Profit for the year attributable to the shareholders of Trafco – BD	<u>1,752,114</u>	<u>1,535,923</u>
Weighted average number of shares, net of treasury shares	<u>74,197,575</u>	<u>74,197,575</u>
Basic and diluted earnings per share (fils)	<u>24</u>	<u>21</u>

Basic and diluted earnings per share are the same as the Company has not issued any instruments that would have a dilutive effect.

There have been no other transactions involving ordinary or potential ordinary shares between the reporting date and the date of issue of these consolidated financial statements, that would have a dilutive effect.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at 31 December 2023

9 PROPERTY, PLANT AND EQUIPMENT

	<i>Freehold land BD</i>	<i>Buildings on leasehold land BD</i>	<i>Plant, machinery and cold store equipment BD</i>	<i>Furniture, fixtures and office equipment BD</i>	<i>Motor vehicles BD</i>	<i>Capital work-in- progress BD</i>	<i>Total BD</i>
Cost:							
At 1 January 2023	2,542,852	9,658,853	14,752,018	2,281,756	3,758,144	285,697	33,279,320
Additions	-	15,682	54,844	33,588	79,809	1,596,281	1,780,204
Transfers	-	125,000	134,739	7,041	50,534	(317,314)	-
Disposals	-	(25,523)	(37,194)	(9,976)	(207,228)	-	(279,921)
At 31 December 2023	<u>2,542,852</u>	<u>9,774,012</u>	<u>14,904,407</u>	<u>2,312,409</u>	<u>3,681,259</u>	<u>1,564,664</u>	<u>34,779,603</u>
Accumulated depreciation:							
At 1 January 2023	-	5,849,997	12,954,634	1,964,071	3,237,429	-	24,006,131
Depreciation charge for the year	-	275,603	433,284	100,106	174,644	-	983,637
Relating to disposals	-	(25,009)	(36,717)	(9,862)	(204,932)	-	(276,520)
At 31 December 2023	<u>-</u>	<u>6,100,591</u>	<u>13,351,201</u>	<u>2,054,315</u>	<u>3,207,141</u>	<u>-</u>	<u>24,713,248</u>
Net book values:							
At 31 December 2023	<u>2,542,852</u>	<u>3,673,421</u>	<u>1,553,206</u>	<u>258,094</u>	<u>474,118</u>	<u>1,564,664</u>	<u>10,066,355</u>

Building, plant and equipment having net book values of BD 28,043 (2022: BD 44,089) are situated on land owned by the Government of Kingdom of Bahrain. No lease agreement exists between the Government of Kingdom of Bahrain and the Group.

Property, plant and equipment of subsidiaries having net book values of BD 3,217,321 (2022: BD 3,611,344) are situated on leasehold land.

Buildings of a subsidiary having net book value of BD 552,806 (2022: BD 485,436) are situated on a land leased from a related party.

Capital work in progress mainly consist of new cold room storage project. The project is financed by term loan facilities. The amount of borrowing costs capitalised during the year ended 31 December 2023 was BD 57,508 (2022: BD nil). The rate used to determine the amount of borrowing costs eligible for capitalisation was 6.25% which is the Effective Interest Rate (EIR) of the specific borrowing.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at 31 December 2023

9 PROPERTY, PLANT AND EQUIPMENT (continued)

	<i>Freehold land BD</i>	<i>Buildings on leasehold land BD</i>	<i>Plant, machinery and cold store equipment BD</i>	<i>Furniture, fixtures and office equipment BD</i>	<i>Motor vehicles BD</i>	<i>Capital work-in- progress BD</i>	<i>Total BD</i>
Cost:							
At 1 January 2022	1,956,165	9,120,074	14,908,036	2,065,459	3,206,391	330,359	31,586,484
Acquisition of a subsidiary (note 30)	586,687	482,717	202,658	141,447	542,966	-	1,956,475
Additions	-	17,206	54,066	51,466	38,002	369,835	530,575
Transfers	-	41,670	258,055	30,015	84,757	(414,497)	-
Disposals / write offs	-	(2,814)	(670,797)	(6,631)	(113,972)	-	(794,214)
At 31 December 2022	2,542,852	9,658,853	14,752,018	2,281,756	3,758,144	285,697	33,279,320
Accumulated depreciation:							
At 1 January 2022	-	5,097,353	12,967,964	1,730,404	2,605,758	-	22,401,479
Acquisition of a subsidiary (note 30)	-	481,680	202,077	134,730	536,406	-	1,354,893
Depreciation charge for the year	-	271,982	452,941	105,561	202,279	-	1,032,763
Relating to disposals / write offs	-	(1,018)	(668,348)	(6,624)	(107,014)	-	(783,004)
At 31 December 2022	-	5,849,997	12,954,634	1,964,071	3,237,429	-	24,006,131
Net book values:							
At 31 December 2022	2,542,852	3,808,856	1,797,384	317,685	520,715	285,697	9,273,189

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at 31 December 2023

9 PROPERTY, PLANT AND EQUIPMENT (continued)

The depreciation charge for the year has been allocated in the consolidated statement of profit or loss and other comprehensive income as follows:

	2023	2022
	BD	BD
Costs of revenue	579,476	583,413
Depreciation	404,161	449,350
	983,637	1,032,763

10 RIGHT-OF-USE ASSETS

	<i>Land</i>	<i>Buildings</i>	<i>Motor</i>	<i>Total</i>
	<i>BD</i>	<i>BD</i>	<i>vehicles</i>	<i>BD</i>
As at 1 January 2023	2,563,313	1,048,827	86,981	3,699,121
Remeasurement of lease liabilities	-	(151,882)	3,923	(147,959)
Additions	-	28,872	18,736	47,608
Termination of lease	-	(18,487)	-	(18,487)
Depreciation expense for the year	(199,854)	(184,481)	(26,609)	(410,944)
As at 31 December 2023	2,363,459	722,849	83,031	3,169,339

	<i>Land</i>	<i>Buildings</i>	<i>Motor</i>	<i>Total</i>
	<i>BD</i>	<i>BD</i>	<i>vehicles</i>	<i>BD</i>
As at 1 January 2022	1,527,075	699,098	95,663	2,321,836
Remeasurement of lease liabilities	1,136,705	-	-	1,136,705
Additions	-	613,904	14,305	628,209
Acquisition of a subsidiary (note 30)	25,643	-	-	25,643
Depreciation expense for the year	(126,110)	(264,175)	(22,987)	(413,272)
As at 31 December 2022	2,563,313	1,048,827	86,981	3,699,121

The depreciation charge for the year has been allocated in consolidated statement of profit or loss as follows:

	2023	2022
	BD	BD
Costs of revenue	199,854	200,837
Depreciation	211,090	212,435
	410,944	413,272

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at 31 December 2023

11 INVESTMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	2023	2022
	BD	BD
Quoted equity investments at FVOCI:		
- in Bahrain	9,183,647	9,620,827
- other GCC countries	306,285	352,365
	9,489,932	9,973,192
Unquoted equity investments at FVOCI:		
- in Bahrain	6,399,532	4,766,239
- other GCC countries	71,295	72,295
	6,470,827	4,838,534
Total equity investments at FVOCI:	15,960,759	14,811,726
Quoted debt instruments at FVOCI:		
- in Bahrain	-	186,347
	15,960,759	14,998,073

Movements in investments at fair value through other comprehensive income during the year, were as follows:

	2023	2022
	BD	BD
At 1 January	14,998,073	14,094,593
Acquisition of a subsidiary (note 30)	-	418,809
Purchases during the year	62,117	159,388
Net changes in fair values	1,264,382	378,940
Disposals during the year	(363,813)	(53,657)
At 31 December	15,960,759	14,998,073

Quoted equity investments

The fair values of the quoted equity investments are determined by reference to published price quotations in active markets.

Unquoted equity investments

The fair values of unquoted equity investments have been estimated using fair value provided by the investment managers or other appropriate valuation techniques including fair values determined based on unobservable inputs using market multiples or other appropriate valuation methodologies.

Quoted debt instruments

The fair values of the quoted debt instruments are determined by reference to published price quotations in an active market.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at 31 December 2023

12 FAIR VALUE HIERARCHY

The following table provides the fair value measurement hierarchy of the Group's assets and liabilities measured at fair value:

	<i>Fair value measurement using</i>			<i>Total</i>
	<i>Quoted prices in active markets Level 1 BD</i>	<i>Significant observable inputs Level 2 BD</i>	<i>Significant unobservable inputs Level 3 BD</i>	
31 December 2023				
<i>Assets measured at fair value</i>				
<i>Investments at fair value through other comprehensive income:</i>				
Quoted equity	9,489,932	-	-	9,489,932
Unquoted equity	-	-	6,470,827	6,470,827
	9,489,932	-	6,470,827	15,960,759
	<i>Fair value measurement using</i>			<i>Total</i>
	<i>Quoted prices in active markets Level 1 BD</i>	<i>Significant observable inputs Level 2 BD</i>	<i>Significant unobservable inputs Level 3 BD</i>	
31 December 2022				
<i>Assets measured at fair value</i>				
<i>Investments at fair value through other comprehensive income:</i>				
Quoted equity	9,973,192	-	-	9,973,192
Unquoted equity	-	-	4,838,534	4,838,534
Quoted debt	186,347	-	-	186,347
	10,159,539	-	4,838,534	14,998,073

Liabilities measured at fair value:

There were no liabilities measured at fair value as of 31 December 2023 and 31 December 2022.

During the years ended 31 December 2023 and 31 December 2022, there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into and out of Level 3 fair value measurements.

Level 3 equity securities have been estimated using fair value provided by the investment managers or other appropriate valuation techniques including fair values determined based on unobservable inputs using market multiples or other appropriate valuation methodologies.

Reconciliation of fair value measurements of level 3 financial instruments

Movements in the fair values of financial assets classified as level 3 category were as follows:

	2023	2022
	BD	BD
At 1 January	4,838,534	4,533,513
Net changes in fair value	1,632,293	305,021
At 31 December	6,470,827	4,838,534

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at 31 December 2023

13 INVENTORIES

	2023 BD	2022 BD
Goods for sale	2,018,444	2,368,933
Raw materials and consumables [net of provision for slow moving and obsolete inventories of BD 175,930 (2022: BD 307,924)]	3,904,907	3,092,817
Goods-in-transit	2,131,015	1,855,628
Finished goods [net of provision for slow moving and obsolete inventories of BD 38,312 (2022: BD 21,975)]	2,318,577	2,607,920
Spare parts and other items [net of provision for slow moving and obsolete inventories of BD 425,197 (2022: BD 410,197)]	657,173	582,061
Total inventories at the lower of cost or net realisable value	11,030,116	10,507,359

Movements in the provision for slow moving and obsolete inventories were as follows:

	2023			
	Raw materials and consumables BD	Finished goods BD	Spare parts and other items BD	Total BD
At 1 January 2023	307,924	21,975	410,197	740,096
Charge for the year (note 6)	19,620	38,896	15,000	73,516
Written off during the year	(151,614)	(22,559)	-	(174,173)
At 31 December 2023	175,930	38,312	425,197	639,439

	2022			
	Raw materials and consumables BD	Finished goods BD	Spare parts and other items BD	Total BD
At 1 January 2022	301,997	59,574	430,796	792,367
Charge for the year (note 6)	49,651	14,698	21,024	85,373
Reversal of provision	(37,151)	(45,849)	-	(83,000)
Written off during the year	(6,573)	(6,448)	(41,623)	(54,644)
At 31 December 2022	307,924	21,975	410,197	740,096

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at 31 December 2023

14 TRADE AND OTHER RECEIVABLES

	2023 BD	2022 BD
Trade receivables [net of allowance for expected credit losses of BD 1,512,916 (2022: BD 1,387,932)]	8,870,692	9,173,679
Trade receivables - related parties (note 25)	208,278	270,418
	9,078,970	9,444,097
Other receivables	303,707	582,024
Advances to suppliers	1,023,289	279,654
Prepayments	104,876	139,800
Deposits	49,997	42,502
VAT receivable, net	115,813	86,078
	10,676,652	10,574,155

Terms and conditions of the above financial assets are as follows:

- Trade receivables are non-interest bearing and are normally settled on 60 to 90 day terms.
- For terms and conditions of trade receivables - related parties, refer to note 25.
- Other receivables are non-interest-bearing and have terms ranging between one and three months.
- Deposits are non-interest-bearing and have terms ranging between one and three months.

Movements in the expected credit losses of trade receivables were as follows:

	2023 BD	2022 BD
At 1 January	1,387,932	975,888
Acquisition of a subsidiary (note 30)	-	387,158
Charge for the year (note 6)	124,984	24,886
At 31 December	1,512,916	1,387,932

The ageing analysis of trade receivables and allowance for expected credit losses as at 31 December, are as follows:

	Total BD	Current BD	Past due		
			Less than 30 days BD	30 to 60 days BD	More than 60 days BD
2023					
Expected credit loss rate	14.3%	0.1%	1.2%	2.5%	70.8%
Gross trade receivables	10,591,886	4,091,344	2,776,861	1,702,149	2,021,532
Expected credit losses	(1,512,916)	(5,362)	(33,719)	(43,333)	(1,430,502)
Net trade receivables	9,078,970	4,085,982	2,743,142	1,658,816	591,030
	Total BD	Current BD	Past due		
			Less than 30 days BD	30 to 60 days BD	More than 60 days BD
2022					
Expected credit loss rate	12.8%	0.1%	0.4%	2.3%	83.0%
Gross trade receivables	10,832,029	5,691,610	2,849,168	655,751	1,635,500
Expected credit losses	(1,387,932)	(3,859)	(11,225)	(14,866)	(1,357,982)
Net trade receivables	9,444,097	5,687,751	2,837,943	640,885	277,518

The Group does not obtain collateral over trade receivables.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at 31 December 2023

15 CASH AND CASH EQUIVALENTS

Cash and cash equivalents included in the consolidated statement of cash flows consist of the following amounts:

	2023	2022
	BD	BD
Bank balances and cash	5,460,262	3,693,128
Bank overdrafts	(422,152)	(550,420)
Cash and cash equivalents	5,038,110	3,142,708

Bank overdrafts are denominated in Bahraini Dinars and the United States Dollars and carry interest at commercial rates.

The Group has BD 16,862,218 (2022: BD 13,913,494) of undrawn borrowing facilities as at 31 December 2023.

16 SHARE CAPITAL AND RESERVES

a) Share capital

	2023	2022
	BD	BD
Authorised:		
100,000,000 (2022: 100,000,000) shares of BD 0.100 each	10,000,000	10,000,000
Issued, subscribed and fully paid-up:		
80,675,050 (2022: 80,675,050) shares of BD 0.100 each	8,067,505	8,067,505

b) Treasury shares

Treasury shares represent 6,477,475 (2022: 6,477,475) shares amounting to BD 1,706,644 (2022: BD 1,706,644), representing 8.03% (2022: 8.03%) of the issued share capital, held by the Company.

c) Share premium

The share premium has arisen on the issue of shares in 2000 and rights shares issued in 2008 and is not available for distribution, but can be utilised as stipulated in the Bahrain Commercial Companies Law.

d) Statutory reserve

As required by the Bahrain Commercial Companies Law and the Company's articles of association, 10% of the profit for the year is to be transferred to statutory reserve every year. The Company may resolve to discontinue such annual transfers when the reserve totals 50% of the issued and paid-up share capital. In 2020, the shareholders resolved to discontinue further transfer of profit to statutory reserve as the reserve equaled 50% of the paid-up capital of the Company.

The reserve cannot be utilised for the purpose of distribution except in such circumstances as stipulated in the Bahrain Commercial Companies Law.

e) General reserve

The general reserve has been made in accordance with the articles of association of the Company. The Company may resolve to discontinue such annual transfers, when deemed appropriate. There are no restrictions on the distribution of this reserve. During the year, the Company transferred BD 50,000 (2022: BD 50,000) to the general reserve.

f) Fair value reserve

This reserve relates to fair value changes of investments at fair value through other comprehensive income.

16 SHARE CAPITAL AND RESERVES (continued)

g) Foreign currency reserve

The foreign currency reserve is used to recognise exchange differences arising from the translation of the financial statements of foreign operations.

h) Retained earnings - non-distributable

This represents Group's share in the statutory reserves of its subsidiaries and is not available for distribution.

17 DIVIDENDS PAID AND PROPOSED

At the annual general meeting of the shareholders held on 29 March 2023, a final cash dividend of 15 fils per share, excluding treasury shares, totaling BD 1,112,844 for the year ended 31 December 2022 was declared and paid. (2022: At the annual general meeting of the shareholders held on 30 March 2022, a final cash dividend of 14 fils per share, excluding treasury shares, totaling BD 1,038,766 for the year ended 31 December 2021 was declared and paid).

A cash dividend of 17 fils per share, excluding treasury shares, totaling BD 1,261,223 (2022: a cash dividend of 15 fils per share, excluding treasury shares, totaling BD 1,112,844) has been proposed by Board of Directors and will be submitted for formal approval of shareholders at the Annual General Meeting.

18 LEASE LIABILITIES

Lease liabilities relate to the Group's leases for land, buildings and motor vehicles. The movements in the lease liabilities during the year, were as follows:

	2023 BD	2022 BD
At 1 January	3,934,849	2,452,316
Remeasurement of lease liabilities	(147,959)	1,136,705
Additions	47,608	628,209
Acquisition of a subsidiary (note 30)	-	26,394
Termination of lease	(18,594)	-
Interest expense for the year	191,968	200,858
Payments during the year	(526,185)	(509,633)
At 31 December	3,481,687	3,934,849
Non-current	3,009,350	3,389,399
Current	472,337	545,450
	3,481,687	3,934,849

The following are the amounts recognised in consolidated statement of profit or loss in respect of leases:

	2023 BD	2022 BD
Depreciation expense on right-of-use assets (note 10)	410,944	413,272
Interest expense on lease liabilities	191,968	200,858
Gain on termination of lease	(107)	-
	602,805	614,130

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at 31 December 2023

18 LEASE LIABILITIES (continued)

The Group had total cash outflows for leases of BD 526,185 in 2023 (2022: BD 509,633). The Group also had non-cash additions to right-of-use assets and lease liabilities of BD 47,608 (2022: BD 628,209).

19 EMPLOYEES' END OF SERVICE BENEFITS

Movements in the employees' end of service benefits are as follows:

	2023 BD	2022 BD
At 1 January	1,531,760	1,464,015
Acquisition of a subsidiary (note 30)	-	58,968
Provided during the year (note 6)	235,196	203,541
Paid during the year	(216,403)	(194,764)
At 31 December	1,550,553	1,531,760

20 GOVERNMENT GRANT

Government grant represents amount received from The Labour Fund (Tamkeen) for purchase of plant and equipment. The amount is amortised over 15 years which is equivalent to the estimated useful life of the plant and equipment. Movement in Government grant, is as follows:

	2023 BD	2022 BD
At 1 January	44,632	48,309
Recognised in consolidated statement of profit or loss and other comprehensive income	(3,667)	(3,677)
At 31 December	40,965	44,632
Non-current	37,298	40,965
Current	3,667	3,667
	40,965	44,632

21 TERM LOANS

		Interest rate	Maturity	2023 BD	2022 BD
a)	Loan from Bahrain Islamic Bank B.S.C.	6.25% p.a.	September 2025	146,216	261,519
b)	Loan from Bahrain Islamic Bank B.S.C.	6.25% p.a.	September 2025	171,593	222,927
c)	Loan from Bahrain Islamic Bank B.S.C.	6.25% p.a.	March 2025	52,975	92,479
d)	Loan from Bahrain Islamic Bank B.S.C. (i)	6.25% p.a.	March 2029	1,167,242	-

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at 31 December 2023

21 TERM LOANS (continued)

		<i>Interest rate</i>	<i>Maturity</i>	2023 BD	2022 BD
e)	Loan from Habib Bank Limited (ii)	One-month BIBOR plus 1. 3% p.a.	December 2028	500,000	-
f)	Loan from Ahli United Bank B.S.C.	Three-month BIBOR plus 3% p.a.	March 2024	6,416	16,288
g)	Loan from Arab Bank (iii)	One-month BIBOR plus 1.75% p.a.	March 2027	1,168,543	1,502,406
				3,212,985	2,095,619

The term loans are presented in the consolidated statement of financial position as follows:

	2023 BD	2022 BD
Non-current	2,369,475	1,546,485
Current	843,510	549,134
	3,212,985	2,095,619

Loan instalments payable within twelve months from the reporting date are disclosed as current portion and remaining are disclosed as non-current. These loans are secured by promissory notes issued by the Group.

The terms of the loan agreements require compliance with certain covenants relating to financial ratios and the declaration of dividends to shareholders.

- i) This represents additional tranche of BISB loan obtained for construction of new warehouse. The loan is unsecured and carries interest at the rate of 6.25% p.a. The loan has a term of 72 months and repayment started from May 2023 in 24 quarterly installments.
- ii) This represents a loan to finance the construction of new warehouse storage facility. The loan is unsecured and carries an interest of 1 month BIBOR plus 1.3%. The loan has a term of 5 years and repayment shall start from January 2024 in 60 monthly installments.
- iii) This represents a loan obtained for acquisition of Bahrain Livestock Company W.L.L. The loan is unsecured and carries interest at the rate of 1 month BIBOR plus 1.75%. The loan would be repaid in 59 monthly equal instalments starting from from July 2022 .

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22 TRADE AND OTHER PAYABLES

	2023	2022
	BD	BD
Trade payables	5,320,646	4,729,771
Accrued expenses	1,790,701	1,541,794
Advances from customers	95,973	128,212
Other payables	629,070	668,522
Due to related parties (note 25)	267,308	176,769
Unclaimed dividends payable	52,116	52,116
Retentions payable	115,177	1,427
	8,270,991	7,298,611
Less: Non-current portion	(56,875)	-
	8,214,116	7,298,611

Terms and conditions of the above financial liabilities are as follows:

- Trade payables are non-interest bearing and are normally settled on 60 to 90 day terms.
- For terms and conditions relating to amounts due to related parties, refer to note 25.
- Other payables are non-interest bearing and have average terms ranging between one to six months.

23 IMPORT LOANS

These represent loans obtained from commercial banks for the import of raw materials and finished goods with average interest rate of 7.5% (2022: 4.79%) per annum and secured by promissory notes issued by the Group.

24 MATERIAL PARTLY-OWNED SUBSIDIARY

The Group holds 51% shareholding in Awal Dairy Company W.L.L., a subsidiary incorporated in the Kingdom of Bahrain and engaged in production and supply of milk, juices, ice cream and tomato paste. The summarised financial information before intercompany eliminations of the subsidiary as at 31 December 2023 and 31 December 2022 is provided below.

	2023	2022
	BD	BD
Summarised statement of profit or loss and other comprehensive income:		
Revenue	21,336,223	18,261,250
Other operating income	52,223	22,665
Costs of revenue	(16,315,052)	(14,166,419)
Selling and distribution expenses	(977,383)	(851,597)
Personnel costs	(1,978,173)	(1,677,404)
Other income	171,216	135,973
General and administration expenses	(305,453)	(250,941)
Depreciation on property, plant and equipment	(148,781)	(157,429)
Depreciation on right-of-use of assets	(140,954)	(139,291)
Finance costs on lease liabilities	(72,950)	(80,706)
Exchange gains - net	65,310	49,577
Profit for the year	1,686,226	1,145,678
Other comprehensive income (loss)	1,951	(16,316)
Total comprehensive income for the year	1,688,177	1,129,362
Attributable to non-controlling interests	827,207	553,387
Dividends paid to non-controlling interest	343,000	294,000

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24 MATERIAL PARTLY-OWNED SUBSIDIARY (continued)

	2023	2022
	BD	BD
Summarised statement of financial position:		
Inventories (current)	6,651,472	5,263,848
Cash and bank balances (current)	2,279,525	1,914,231
Right-of-use assets (non-current)	1,098,052	1,490,513
Property, plant and equipment (non-current)	1,672,732	1,720,526
Investments at fair value through other comprehensive income (non-current)	1,239,627	1,381,370
Trade and other receivables (current)	4,541,181	3,910,931
Trade and other payables (current)	(4,454,450)	(3,264,226)
Government grant (current)	(3,667)	(3,677)
Government grant (non-current)	(37,298)	(40,955)
Lease liabilities (current)	(299,111)	(324,072)
Lease liabilities (non-current)	(885,038)	(1,248,057)
Employees' end of service benefits (non-current)	(775,178)	(760,762)
Equity	11,027,847	10,039,670
Attributable to:		
Equity holders of parent	5,624,202	5,120,232
Non-controlling interests	5,403,645	4,919,438
	11,027,847	10,039,670
	2023	2022
	BD	BD
Summarised statement of cash flows information:		
Net cash flows from operating activities	1,017,542	58,589
Net cash flows used in investing activities	(144,310)	(433,704)
Net cash flows (used in) from financing activities	(485,956)	13,047
Foreign currency translation adjustments	(21,982)	37,042
Net decrease in cash and cash equivalents	365,294	(325,026)

25 RELATED PARTY TRANSACTIONS AND BALANCES

Related parties represent associated companies, major shareholders, directors, companies having common directors and key management personnel of the Group, and entities controlled, jointly controlled or significantly influenced by such parties. Pricing policies and terms of these transactions are approved by the Group's management.

Nature and amount of transactions and balances with related parties included in the consolidated statement of financial position and consolidated statement of profit or loss and other comprehensive income are as follows:

Name	Relationship	Nature of transactions
Abdulla Yousif Fakhro and Sons B.S.C. (c)	Common director	Sales of goods and services received.
Alosra Supermarket W.L.L.	Common director	Sales of goods and services received.
Bahrain National Holding B.S.C.	Common director	Dividend received.

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25 RELATED PARTY TRANSACTIONS AND BALANCES (continued)

Name	Relationship	Nature of transactions
Bahrain Cinema Company B.S.C.	Common director	Dividend received.
Bahrain Duty Free Shop Complex B.S.C	Common director	Dividend received.
Banader Hotels Company B.S.C.	Common director	Sales of goods.
BANZ Group B.S.C. (c)	Common director	Sales of goods and dividend received.
BANZ Trading and Contracting W.L.L	Common director	Purchases and sales of goods.
BMMI B.S.C.	Common director	Purchases, sales of goods and dividend received.
Bahrain Livestock Company	Associated company till acquisition	Services rendered.
Delmon Poultry Company B.S.C.	Common director	Dividend received.
Ebrahim K Kanoo B.S.C. (c)	Common director	Purchase of spare parts and services received.
Yousif Abdul Rahman Engineer Company	Common director	Services rendered.
Mohamed Ali Zainal Abdulla B.S.C. (c)	Common director	Purchases of goods and services.
Jalal Travel Agency	Common director	Services received.
Manama Travel Centre	Common director	Services received.
Mohamed Ali Zainal Abdulla B.S.C. (c)	Common director	Purchases and sales of goods.
Mohammed Jalal & Sons Company Limited W.L.L	Common director	Purchases and sales of goods.
Wadi Al Salam Tissue And Food Stuff Company W.L.L.	Common director	Purchases of goods and services.
Motor City Holding B.S.C. (c)	Common director	Purchase of goods and services received.
National Transport Company	Common director	Services received.
Saleh Al Saleh Company W.L.L.	Common director	Purchases and sales of goods.
The Food Supply Company W.L.L.	Common director	Sales of goods.
United Paper Industries B.S.C. (c)	Common director	Purchases of goods.
Yousuf Abdul Rehman Engineer Holding W.L.L.	Common director	Services received.

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25 RELATED PARTY TRANSACTIONS AND BALANCES (continued)

	<i>Revenue BD</i>	<i>Purchase of goods and services BD</i>	<i>General and administrative expenses BD</i>	<i>Other Operating and investment income BD</i>	<i>Due from related parties BD</i>	<i>Due to related parties BD</i>
31 December 2023						
Entities with common directors	702,808	1,861,755	202,843	737,196	208,278	267,308
	<i>Revenue BD</i>	<i>Purchase of goods and services BD</i>	<i>General and administrative expenses BD</i>	<i>Other Operating and investment income BD</i>	<i>Due from related parties BD</i>	<i>Due to related parties BD</i>
31 December 2022						
Associated companies	8,169	751	-	-	-	-
Entities with common directors	551,295	732,326	184,859	377,381	270,418	176,769
	559,464	733,077	184,859	377,381	270,418	176,769

25 RELATED PARTY TRANSACTIONS AND BALANCES (continued)**Terms and conditions of transactions with related parties**

Purchases from and sales to related parties are made at normal market prices. Outstanding balances at the year-end arise in the normal course of business, are unsecured, interest free and settlement occurs in cash. For the years ended 31 December 2023 and 31 December 2022, the Group has not recorded any allowance for expected credit losses on amounts owed by related parties.

Compensation of key management personnel

The remuneration of directors and other members of key management personnel during the year was as follows:

	2023 BD	2022 BD
Directors' remuneration	119,925	102,500
Directors' fees	67,000	69,300
	186,925	171,800
Short-term benefits	223,134	211,483
Employees' end of service benefits	7,853	11,336
	230,987	222,819
	417,912	394,619

26 COMMITMENTS AND CONTINGENCIES**(a) Capital expenditure commitments**

Estimated capital expenditure contracted for at the reporting date but not provided for is amounting to BD 1,753,376 (2022: BD 40,106) and expected to be settled within one year.

(b) Guarantees:

Tender, advance payment and performance guarantees issued by banks on behalf of the Group, in the normal course of business, amount to BD 832,627 as at 31 December 2023 (2022: BD 924,670).

27 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES**Introduction**

The Group's financial liabilities comprise term loans, import loans, lease liabilities, retention payable, a portion of trade and other payables and bank overdrafts. The main purpose of these financial liabilities is to raise finance for the Group's operations and capital expenditure. The Group has trade and other receivables and bank balances and cash that arise directly from its operations. The Group also holds Investments at fair value through other comprehensive income.

The Group is exposed to market risk, credit risk and liquidity risk.

Executive Committee

The Executive Committee is responsible for evaluating and approving business and risk strategies, plans and policies of the Group and market and liquidity risks pertaining to the Group's investment activities by optimising liquidity and maximising returns from the funds available to the Group.

Board of Directors

The Board of Directors is responsible for the overall risk management approach and for approving the risk strategies and principles.

27 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)**Market risk**

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises of interest rate risk, foreign currency risk and equity price risk. Financial instruments affected by market risk include investments at fair value through other comprehensive income, a portion of trade and other receivables, term loans, a portion of trade and other payables and bank overdrafts.

The sensitivity analysis have been prepared on the basis that the amount of net debt, the ratio of fixed to floating interest rates of the debt and the proportion of financial instruments in foreign currencies are all constant at 31 December 2023 and 31 December 2022.

The following assumptions have been made in calculating the sensitivity analysis:

- The consolidated statement of financial position sensitivity relates to financial assets and financial liabilities as at 31 December 2023 and 31 December 2022;
- The sensitivity of the relevant profit or loss item is the effect of the assumed changes in respective market risks. This is based on the financial assets and financial liabilities held at 31 December 2023 and 31 December 2022; and
- The sensitivity of equity is calculated by considering the effect of investments at fair value through other comprehensive income and translation of foreign operations at 31 December 2023 and 31 December 2022 for the effects of the assumed changes of the underlying risk.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in interest rates. The Group is exposed to interest rate risk on its floating interest rate bearing liabilities (bank overdrafts and certain term loans).

The following table demonstrates the sensitivity of profit or loss to reasonably possible changes in interest rates, with all other variables held constant. The Group's profit for the year is affected through the impact on floating interest rates bearing bank overdrafts and certain term loans, as follows:

	2023		2022	
Increase (decrease) in basis points	+50	-50	+50	-50
(Decrease) increase in profit [in BD]	(27,570)	27,570	(28,500)	28,500

Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Group's exposure to the risk of changes in foreign exchange rates relates primarily to the Group's operating activities (when revenue or expense is denominated in a different currency from the Group's functional currency).

The following table demonstrates the sensitivity to a reasonably possible change in the foreign currency exchange rate, with all other variables held constant, of the Group's profit or loss (due to changes in the fair value of monetary assets and liabilities) and the Group's other comprehensive income (due to changes in the net investment in a foreign operations). As the Bahraini Dinar is pegged to the United States (US) Dollar, balances in US Dollars and currencies pegged to the US Dollar are not considered to represent a significant foreign currency risk.

27 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)**Market risk (continued)***Foreign currency risk (continued)*

	Change in exchange rate	Effect on profit		Effect on other comprehensive income	
		2023	2022	2023	2022
		BD	BD	BD	BD
Euro	+5%	1,568	1,098	-	-
Other currencies	+5%	1,326	637	-	-
Kuwaiti Dinar	+5%	205	205	18,012	30,953

A similar decrease in foreign exchange rates would have an equal and opposite impact on the Group's profit and other comprehensive income as disclosed above.

Equity price risk

Equity price risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices, whether those changes are caused by factors specific to the individual investment or its issuer, or factors affecting all investments traded in the market.

The Group manages equity price risk through diversification and placing limits on individual and total equity investments. Reports on the investment portfolio are submitted to the Executive Committee on a regular basis. The Executive Committee reviews and approves all investment decisions.

Management's best estimate of the effect on other comprehensive income for the year due to a 5% change in fair value of investments at fair value through other comprehensive income, with all other variables held constant, would be BD 798,038 (2022: BD 749,904).

Credit risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Group is exposed to credit risk from its operating activities (primarily for trade receivables) and from its financing activities, including bank balances and other financial instruments.

Trade and other receivables

Customer credit risk is managed by each entity as per Group's established policy, procedures and control relating to customer credit risk management. Outstanding customer receivables are regularly monitored. An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on days past due for groupings of various customer segments with similar loss patterns (i.e., by customer type). The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions. Generally, trade receivables are written-off if past due for more than one year.

Bank balances

The Group limits credit risk on bank balances by dealing only with reputable banks.

Debt instruments

The Group limits credit risk on investment in debt instruments by investing only in sovereign debt instruments.

Credit risk concentration

The Group evaluates the concentration of risk with respect to trade receivables as low, as its customers are located in several jurisdictions and industries and operate in largely independent markets.

The Group sells its products to a large number of wholesalers and retailers. Its five largest customers account for 31% of the outstanding trade receivables at 31 December 2023 (2022: 26%).

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27 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Credit risk (continued)

Maximum exposure to credit risk

The table below shows the maximum exposure to credit risk for the components of the consolidated statement of financial position headings without taking account of any collateral and other credit enhancements.

	2023 BD	2022 BD
Trade receivables (note 14)	9,078,970	9,444,097
Bank balances (note 15)	5,460,262	3,693,128
Other receivables (note 14)	303,707	582,024
Quoted debt instruments (note 11)	-	186,347
Deposits (note 14)	49,997	42,502
	14,892,936	13,948,098

Liquidity risk

Liquidity risk is the risk that an enterprise will have difficulties in meeting its commitments. The Group limits its liquidity risk by ensuring bank facilities are available. The Group's terms of sale require amounts to be paid within 60 to 90 days of the date of sale. Trade payables are also normally settled within 60 to 90 days of the date of purchase/shipment.

The table below summarises the maturities of the Group's financial liabilities at 31 December, based on undiscounted contractual payment dates and current market interest rates.

	On demand BD	Less than 3 months BD	3 to 12 months BD	1 to 5 years BD	More than 5 years BD	Total BD
2023						
Trade and other payables	-	6,365,113	115,177	-	-	6,480,290
Import loans	-	3,478,862	-	-	-	3,478,862
Lease liabilities	-	106,991	261,659	878,896	2,407,848	3,655,394
Term loans	-	290,800	634,532	2,494,372	-	3,419,704
Bank overdrafts	422,152	-	-	-	-	422,152
	422,152	10,241,766	1,011,368	3,373,268	2,407,848	17,456,402
	On demand BD	Less than 3 months BD	3 to 12 months BD	1 to 5 years BD	More than 5 years BD	Total BD
2022						
Trade and other payables	-	5,755,390	1,427	-	-	5,756,817
Import loans	-	3,827,196	-	-	-	3,827,196
Lease liabilities	-	143,699	431,096	1,101,500	2,455,297	4,131,592
Term loans	-	165,056	495,168	1,872,093	-	2,532,317
Bank overdrafts	550,420	-	-	-	-	550,420
	550,420	9,891,341	927,691	2,973,593	2,455,297	16,798,342

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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27 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Changes in liabilities arising from financing activities of the consolidated statement of cash flows

	As at 1 January 2023 BD	Cash flows		Others	As at 31 December 2023 BD
		Availed BD	Payments BD	BD	
Unclaimed dividend payable	52,116	-	(1,112,844)	1,112,844	52,116
Term loans	2,095,619	1,800,000	(682,634)	-	3,212,985
Import loans	3,759,063	11,716,551	(12,058,684)	-	3,416,930
Retentions payable	1,427	-	-	-	1,427
Lease liabilities	3,934,849	-	(526,185)	73,023	3,481,687
	9,843,074	13,516,551	(14,380,347)	1,185,867	10,165,145

	As at 1 January 2022 BD	Cash flows		Others	As at 31 December 2022 BD
		Availed BD	Payments BD	BD	
Unclaimed dividend payable	52,146	-	(1,038,684)	1,038,654	52,116
Term loans	796,137	1,641,516	(342,034)	-	2,095,619
Import loans	3,429,810	13,106,420	(12,777,167)	-	3,759,063
Retentions payable	43,904	-	(42,477)	-	1,427
Lease liabilities	2,452,316	-	(509,633)	1,992,166	3,934,849
	6,774,313	14,747,936	(14,709,995)	3,030,820	9,843,074

Capital management

The primary objective of the Group's capital management is to ensure that it maintains a healthy capital base in order to support its business and maximise shareholders' value.

The Group manages its capital structure and makes adjustments to it in light of changes in business conditions. In order to maintain or adjust the capital structure, the Company may adjust the dividends paid to shareholders, repurchase of own shares, or issue new shares.

No changes were made in the objectives, policies or processes during the years ended 31 December 2023 and 31 December 2022.

The Group monitors capital on the basis of the debt-to-equity ratio. This ratio is calculated as net debt divided by equity. Net debt includes term loans, lease liabilities, contract and refund liabilities, retention payable, trade and other payables, import loans and net cash and cash equivalents). Equity comprises all components of equity (i.e. share capital, treasury shares, share premium, statutory reserve, general reserve, fair value reserve, foreign currency reserve, retained earnings - non-distributable, retained earnings-distributable and proposed appropriations).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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27 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)**Capital management (continued)**

	2023	2022
	BD	BD
Trade and other payables	8,214,116	7,298,611
Import loans	3,416,930	3,759,063
Lease liabilities	3,481,687	3,934,849
Bank overdrafts	422,152	550,420
Term loans	3,212,985	2,095,619
Contract and refund liabilities	372,338	295,986
Bank balances and cash	(5,460,262)	(3,693,128)
Net debt	13,659,946	14,241,420
Total equity attributable to the shareholders of Trafco	30,235,970	28,355,256
Debt-to-equity ratio	45%	50%

28 FAIR VALUE MEASUREMENTS

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Fair value of financial instruments

Financial instruments of the Group comprise of financial assets and financial liabilities.

Financial assets consist of investments at fair value through other comprehensive income, trade and other receivables and cash and bank balances. Financial liabilities consist of term loans, import loans, lease liabilities, retentions payable, trade and other payables and bank overdrafts. Fair value of financial instruments is estimated based on the following methods and assumptions:

- a) Bank balances and cash, bank overdrafts, import loans, trade and other receivables and trade and other payables approximate their carrying amounts largely due to the short-term maturities of these instruments as at 31 December 2023 and 31 December 2022;
- b) Term loans and lease liabilities are evaluated by the Group based on parameters such as interest rates. The carrying amounts are not materially different from their fair values as at 31 December 2023 and 31 December 2022; and
- c) Fair value of quoted equity investments and quoted debt instruments is derived from quoted market prices in active markets or in the case of unquoted investments at fair value through other comprehensive income using market multiples or other appropriate valuation methodologies.

Fair value of non-financial assets or liabilities

The Group does not have any non-financial assets or liabilities which have been measured at fair value as at 31 December 2023 and 31 December 2022.

Fair value hierarchy

For fair value hierarchy of the Group's assets and liabilities measured at fair value refer to note 12.

Financial assets and liabilities that are not measured at fair values are classified within level 2 of fair value hierarchy except for term loans and lease liabilities which are classified within level 3 of fair value hierarchy. Fair values of the assets and liabilities approximate their carrying values at the reporting date.

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29 SEGMENT REPORTING

For management purposes, the Group is organised into business units based on their products and services and has seven reportable operating segments as follows:

Wholesale operations	Import and distribution of foodstuff.
Retail operations	Import and distribution of foodstuff through supermarkets.
Investments	Investment in quoted and unquoted securities (including investments in an associate).
Dairy products and beverages	Production, processing and distribution of dairy products, juices, ice-cream, bottling of water and other items.
Fruits and vegetables	Import and distribution of fruits, vegetables and other food items.
Storage and logistics	Providing storage and logistics services.
Livestock	Import and sale of live animals, fresh, chilled and frozen meat and food service products.

No operating segments have been aggregated to form the above reportable operating segments.

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss which in certain respects, as explained later in a table, is measured differently from operating profit or loss in the consolidated financial statements.

Transfer prices between operating segments are approved by Group's management.

The Group's geographical segments are based on the location of the Group's assets. Sales to external customers disclosed in geographical segments are based on the geographical location of its customers.

Segment assets include all operating assets used by a segment and consist primarily of property, plant and equipment, inventories, right of return assets, trade and other receivables and bank balances and cash. Whilst the majority of the assets can be directly attributed to individual business segments, the carrying amounts of certain assets used jointly by two or more segments are allocated to the segments on a reasonable basis.

Segment liabilities include all operating liabilities used by a segment and consist primarily of employees' end of service benefits, term loans, import loans, bank overdrafts, contract and refund liabilities and trade and other payables. Whilst the majority of the liabilities can be directly attributed to individual business segments, the carrying amounts of certain liabilities used jointly by two or more segments are allocated to the segments on a reasonable basis.

Revenue from operations for the year ended 31 December 2023 in the State of Kuwait and Kingdom of Saudi Arabia amounted to BD 5,657,546 (2022: BD 5,190,815) and profit for the year ended 31 December 2023 amounted to BD 249,848 (2022: BD 101,025). All remaining revenue and profit for the year is generated from the primary geographical segment in the Kingdom of Bahrain.

Total assets in the State of Kuwait and Kingdom of Saudi Arabia amounted to BD 2,394,586 (2022: BD 2,333,816) and total liabilities amounted to BD 2,261,144 (2022: BD 2,200,374). All remaining assets and liabilities arise from the primary geographical segment in the Kingdom of Bahrain.

Inter-segment revenues, transactions, assets and liabilities are eliminated upon consolidation and reflected in the "Adjustments and eliminations" column.

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29 SEGMENT REPORTING (continued)

	<i>Wholesale operations</i>		<i>Retail operations</i>		<i>Investments</i>		<i>Dairy products and beverages</i>		<i>Fruits and vegetables</i>		<i>Storage and logistics</i>		<i>Livestock*</i>		<i>Adjustments and eliminations</i>		<i>Total</i>	
	<i>2023</i>	<i>2022</i>	<i>2023</i>	<i>2022</i>	<i>2023</i>	<i>2022</i>	<i>2023</i>	<i>2022</i>	<i>2023</i>	<i>2022</i>	<i>2023</i>	<i>2022</i>	<i>2023</i>	<i>2022</i>	<i>2023</i>	<i>2022</i>	<i>2023</i>	<i>2022</i>
	<i>BD</i>	<i>BD</i>	<i>BD</i>	<i>BD</i>	<i>BD</i>	<i>BD</i>	<i>BD</i>	<i>BD</i>	<i>BD</i>	<i>BD</i>	<i>BD</i>	<i>BD</i>	<i>BD</i>	<i>BD</i>	<i>BD</i>	<i>BD</i>	<i>BD</i>	<i>BD</i>
Revenue - third parties	14,487,606	15,688,241	1,109,351	1,311,818	-	-	22,979,895	19,864,926	2,053,607	2,141,718	650,139	701,467	4,820,814	2,864,672	-	-	46,101,412	42,572,842
Revenue - inter segments	37,251	16,187	205	831	-	-	96,337	61,458	52,869	23,220	200,448	168,819	1,650	5,208	(388,760)	(275,723)	-	-
Total revenue	14,524,857	15,704,428	1,109,556	1,312,649	-	-	23,076,232	19,926,384	2,106,476	2,164,938	850,587	870,286	4,822,464	2,869,880	(388,760)	(275,723)	46,101,412	42,572,842
Costs of revenue (excluding depreciation)	(12,367,850)	(13,122,028)	(933,921)	(1,083,791)	-	-	(17,057,377)	(14,925,735)	(1,809,862)	(1,800,954)	(220,745)	(236,995)	(4,132,670)	(2,482,749)	183,912	136,028	(36,338,513)	(33,516,224)
Gross profit (excluding impact of depreciation)	2,157,007	2,582,400	175,635	228,858	-	-	6,018,855	5,000,649	296,614	363,984	629,842	633,291	689,794	387,131	(204,848)	(139,695)	9,762,899	9,056,618
Other operating income	39,285	12,713	5,773	3,912	-	-	69,237	46,990	62,626	57,500	11,965	12,876	14,069	6,189	(42,418)	(38,758)	160,537	101,422
Other expenses (excluding depreciation)	(1,916,386)	(1,997,349)	(86,668)	(95,787)	-	-	(3,688,778)	(3,219,598)	(310,804)	(304,261)	(79,566)	(77,103)	(692,449)	(373,288)	74,809	5,644	(6,699,842)	(6,061,742)
Depreciation on property, plant and equipment	(124,343)	(131,257)	(1,975)	(16,906)	-	-	(490,327)	(499,635)	(40,937)	(47,736)	(302,844)	(309,761)	(6,710)	(10,967)	(16,501)	(16,501)	(983,637)	(1,032,763)
Depreciation on right-of-use of assets	(110,072)	(107,251)	(29,821)	(34,488)	-	-	(284,131)	(283,474)	(15,722)	(19,690)	(35,478)	(35,478)	(7,107)	(4,278)	71,387	71,387	(410,944)	(413,272)
Profit from operations	45,491	359,256	62,944	85,589	-	-	1,624,856	1,044,932	(8,223)	49,797	223,919	223,825	(2,403)	4,787	(117,571)	(117,923)	1,829,013	1,650,263
Investment income (including share of results of an associate)	-	-	-	-	2,165,284	1,281,323	171,216	135,973	-	-	-	-	40,917	14,951	(1,083,393)	(806,954)	1,294,024	625,293
Other Income	-	231,672	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	231,672
Other finance costs	(115,843)	(115,117)	(1,346)	(3,253)	-	-	(107,516)	(115,026)	(16,739)	(17,326)	(50,222)	(50,404)	(1,372)	(1,154)	101,070	101,422	(191,968)	(200,858)
Finance costs on loans and borrowings	(326,317)	(204,719)	(3,237)	(4,663)	-	-	(26,959)	(7,264)	(46,601)	(31,104)	(47,545)	(55,982)	(14,901)	(10,892)	47,546	55,982	(418,014)	(258,642)
Exchange gains - net	-	-	-	-	-	-	65,310	49,577	-	-	-	-	-	-	-	-	65,310	49,577
Profit (loss) for the year	(396,669)	271,092	58,361	77,673	2,165,284	1,281,323	1,726,907	1,108,192	(71,563)	1,367	126,152	117,439	22,241	7,692	(1,052,348)	(767,473)	2,578,365	2,097,305
Capital expenditure	1,351,823	96,934	1,570	-	-	-	382,137	341,737	-	-	27,401	91,904	17,273	-	-	-	1,780,204	530,575
Assets	16,258,972	15,257,728	89,748	112,345	26,358,308	24,568,182	19,435,290	17,812,066	1,693,380	1,715,669	3,478,652	3,761,557	3,546,421	3,987,961	(14,452,555)	(14,429,874)	56,408,216	52,785,634
Liabilities	12,627,800	11,733,657	89,748	112,345	-	-	7,454,978	6,860,604	1,198,432	1,132,653	1,597,533	2,006,590	431,576	879,592	(2,631,466)	(3,214,501)	20,768,601	19,510,940

* New segment as a result of acquisition of Bahrain Livestock Company W.L.L during second quarter of 2022.

30 ACQUISITION OF ADDITIONAL STAKE IN BAHRAIN LIVESTOCK COMPANY W.L.L.

As at 31 December 2021, the Group had an investment of 36.26% in the Bahrain Livestock Company W.L.L. ("BLSC"), a company that is engaged in the import of both livestock and chilled meat in the Kingdom of Bahrain. BLSC was treated as an associate and was accounted for under the equity method of accounting in the Group's consolidated financial statements.

On 19 May 2022, the Group entered into sale and purchase agreement with Delmon Poultry Company B.S.C. and Bahrain Investment Holding Company - Istithmar B.S.C. (c) to acquire remaining 63.74% stake of BLSC at a consideration of BD 1,657,240.

As a result of such increased shareholding, BLSC became a wholly owned subsidiary of the Group and the Group started consolidating BLSC in the Group's consolidated financial statements from the date of such acquisition. The Group acquired BLSC to increase its operations of trading in food products.

As required by IFRS, the Group has:

- fair valued its previously held shareholding in BLSC and has taken the difference between the carrying value and the fair value at the date of acquisition to profit or loss.
- recycled all amounts previously recorded in Group's equity in relation to the Group's investment in BLSC (pre-acquisition) to profit or loss.
- included the fair value of its previously held stake in BLSC at the date of acquisition as part of purchase consideration for the determination of goodwill / gain on bargain purchase.

During previous year, the Group finalised the purchase price allocation (PPA) and has accordingly allocated the purchase consideration to identifiable assets and liabilities

The following table summarises the recognised amounts of assets acquired and liabilities assumed at the date of acquisition.

	<i>BD</i>
Assets	
Property, plant and equipment (net of accumulated depreciation of BD 1,354,893) (note 9)	601,582
Right-of-use assets (note 10)	25,643
Investment at fair value through other comprehensive income (note 11)	418,809
Inventories	244,762
Trade and other receivables (net of allowance for expected credit losses of BD 387,158)	803,341
Cash, bank balances and short-term deposits	1,456,290
	3,550,427

30 ACQUISITION OF ADDITIONAL STAKE IN BAHRAIN LIVESTOCK COMPANY W.L.L.

BD

Liabilities

Employees' end of service benefits (note 19)	58,968
Trade and other payables	340,406
Lease liabilities (note 18)	26,394

425,768

Total identifiable net assets

3,124,659

Less:

Fair value of previously held investment in BLSC	942,760
Consideration paid for acquisition of remaining shareholding in BLSC	1,657,240

Total purchase consideration 2,600,000

Bargain purchase gain 524,659

Carrying value of Group's investment in BLSC at the date of acquisition 1,194,201

Fair value of Group's investment in BLSC (36.26%) at the date of acquisition 942,760

Loss on deemed disposal of associate (251,441)

Net bargain purchase gain 273,218

Deemed disposal of associate (41,546)

Gain on acquisition 231,672

Cashflow on acquisition

Cash acquired with the subsidiary	1,456,290
Cash paid	(1,657,240)

Net cash paid on acquisition (200,950)

During previous year, the Group incurred acquisition related costs on account of fees to third parties for legal and transaction services as well as costs of third party consultants amounting to BD 1,928. Such amount was charged to profit or loss (general and administration expenses).

In previous year, from the date of acquisition, BLSC had contributed BD 2,869,880 of revenue and a profit of BD 7,692 to the results of the Group. If the acquisition had taken place at the beginning of 2022, revenue of the Group for the year ended 31 December 2022 would have been BD 44,256,785 and the results of the Group for the year ended 31 December 2022 would have been BD 1,883,177.

The Group has recorded both the gain on bargain purchase and the loss on deemed disposal of associate as a part of other income in profit or loss.

The Group earned share of result of associate from BLSC of BD 138,319 until its deemed disposal.